

ABSTRACT

Title of Dissertation: EXPLORING THE DEPRESSED RATE OF BLACK ENTREPRENEURSHIP: THE IMPACT OF CONSUMER PERCEPTIONS

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The rate of Black entrepreneurship has remained relatively unchanged for nearly a century, and it is one third that of White. Black entrepreneurship research has traditionally focused on the entrepreneur and the entrepreneur's circumstances, such as access to capital, education, family structure, and human capital. Conversely, very little attention has been given to the impact of consumer perceptions on the rate of Black entrepreneurship. This dissertation focused on examining consumer perceptions related to Black entrepreneurship. Past research suggests that consumers patronize businesses that they perceive as legitimate and toward which they have favorable attitudes. Consumer attitudes and legitimacy perceptions are especially important to ethnic enclave entrepreneurs, who rely heavily on co-ethnic patronage.

The present research study explored whether Black and White consumers have perceptual differences of Black-owned or White-owned businesses, and whether these differences vary by respondent's area of residence. Using a multi-disciplinary theoretical framework, a cross-sectional study was conducted. A total of 846 randomly selected

respondents participated voluntarily and completed an anonymous survey questionnaire that measured consumer perceptions of Black and White start-up entrepreneurs. Respondents included Blacks in predominantly Black and predominantly White neighborhoods, and Whites in predominantly White and predominantly Black neighborhoods.

Regression analyses were used to analyze relationships between key variables and *t*-test analyses were used to determine if there were significant differences between groups of respondents with respect to perceptions of legitimacy, attitudes, self-esteem, and patronage. This study provides empirical evidence that there are relationships between consumer attitudes, perceptions of legitimacy, and intended patronage for new entrepreneurial startups. This study found significant differences based on race/ethnicity and neighborhood type. The findings suggest that while limited factors determine patronage for Black entrepreneurs, multiple factors predict patronage for White entrepreneurs. Following a discussion of the results, implications for practice and future research directions are offered.

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IMPACT OF CONSUMER PERCEPTIONS

by

Michael N. Ogbolu

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Thank you very all very much. We did it. Yes, we did!

With love to all,

Mike

Dedication

This dissertation is dedicated to my family, without whom this journey would have been absolutely impossible.

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Chapter 1: Introduction

1.1 Overview

Historically, entrepreneurship and self-employment have been avenues of economic advancement for disadvantaged people (Fairlie & Robb, 2007). Individuals who are unable to secure wage employment usually turn to self-employment and entrepreneurship (Dollinger, 2003). In comparison to their White counterparts, Blacks in the U.S. suffer a much higher rate of unemployment, thus, one would expect increased self-employment and entrepreneurship amongst Blacks. However, this is not the case, as Blacks still lag behind in rates of entrepreneurial entry and sustained self-employment. Fairlie (2004) reported that self-employment for Blacks is about one-third that of Whites — about 4% of the Black population and 12% of the White population. In addition, Black-owned ventures are more likely than White-owned ventures to fail (Fairlie & Robb, 2007). However, given the high rates of unemployment and low labor-force participation rates of Blacks, formation and expansion of Black-owned ventures is still recognized as a viable strategy to address Black unemployment rates (Bates, 2006).

The dearth of African American entrepreneurship has generated much interest among entrepreneurship scholars (e.g., Bates, 1997; Fairlie, 2004; Fairlie & Robb, 2007; Hisrich & Peters, 2002; Hout & Rosen, 2000; Singh, Crump, & Zu, 2007). Fairlie (2004) and Scarborough and Zimmerer (2005) have examined the levels of education and business experience, while Bates (1997) and Fairlie (1999) have studied household asset levels, and Fairlie and Robb (2007) and Hout and Rosen (2000) have examined parental

self-employment as factors that influence entrepreneurship entry and success. While these influence African American entrepreneurship, they all focus on the entrepreneur. Little attention has been paid to consumers and how their perceptions of the entrepreneurs affect African American entrepreneurship. This research focuses on the consumer, examining how consumers' perceptions affect African American entrepreneurship.

1.2 Significance of the Problem

In October 2010, the U.S. Bureau of Labor Statistics (BLS) reported that the unemployment rate for Blacks was significantly higher than for Whites in America (16.1% to 8.7% respectively) according to the US Bureau of Labor Statistics (2010). This is not new information. The disparity in unemployment rates has persisted for over 50 years (Singh, Knox, & Crump, 2007; Spriggs & Williams, 2000) and has resulted in 24.2% of Blacks living below the poverty level compared to 10.3% Whites and 12.3% of the general U.S. population (U.S. Census Bureau, 2009). As stated earlier, entrepreneurship and self-employment are viable alternatives to wage-employment, especially for disadvantaged people who suffer discrimination in the labor market (Bates, 2006; Light, 1972). However, the rate of African American entrepreneurship is still about a third of that of Whites in the U.S. (Fairlie, 2004), and among African American businesses that are founded, they fail at a higher rate than White businesses (Fairlie & Robb, 2007). Fairlie and Robb (2007) attributed the high rate of business failure to African American entrepreneurs' lack of prior work experience in a family business,

which negatively affects their ability to acquire general and specific business human capital.

Other researchers have focused on income and household asset levels, education, business experience, and family structure in attempting to explain the diminished level of African American entrepreneurship. First, regarding income and assets, the U.S. Census Bureau (2006) reported that Blacks had the lowest income of all ethnic groups in the U.S. between 2003 and 2005. The U.S. Census Bureau (2003) also reported that the median household net worth for Blacks was \$7,500 compared to \$79,400 for White households in 2000. An earlier finding by Fairlie (1999) also showed 25% lower asset levels in Black households when compared to White households. This is not surprising given the elevated unemployment rate and significantly larger percentage of African Americans who live in poverty.

Second, educational achievement has been reported to have a positive relationship to entrepreneurship (Hisrich & Peters, 2002; Singh & McDonald, 2003). Analytical skills and technical knowhow are necessary to achieve entrepreneurial success (Singh, Knox, & Crump, 2007), and the lower educational attainment of Blacks plays a role in the diminished firm founding rate. Blacks still lag behind in educational attainment compared to the general U.S. population, despite significant strides in recent years. Even though the number of Blacks completing high school has increased, the dropout rate for Blacks is still twice that of Whites, and the percentage of Blacks who have earned a bachelor's degree or higher is about half that of Whites, 17.6% and 30.6% respectively (U.S. Census Bureau, 2004).

Third, there are family structure and relationship differences between African American and White families. For example, research has found that self-employment is substantially higher among the children of the self-employed for all races (Lentz & Laband 1990; Dunn & Holtz-Eakin, 2000). Hisrich et al. (2005) and Hundley (2006) concur that having a self-employed father increases the likelihood of having a self-employed child. However, a lower percentage of Black children have self-employed fathers (Hout & Rosen, 2000) and a significantly lower percentage of African American entrepreneurs have entrepreneurial fathers compared to their White counterparts (Singh et al., 2009). In addition, self-employed Black fathers may not exert as much influence on their offspring, as there are more single parent households now than a few decades ago, and more Black women have become heads of these single parent households (see Singh et al., 2009).

Finally, human capital and financial capital benefits have been identified as reasons why children of self-employed parents are more likely to engage in entrepreneurial activities (Dunn & Holtz-Eakin, 2000). Unfortunately, as discussed earlier, the percentage of Blacks that are entrepreneurs is a third that of Whites (Fairlie & Robb 2007). Fairlie and Robb (2007) found that the lack of prior work experience in a family-owned business greatly diminishes the acquisition of business acumen and human capital, therefore, the rate of entrepreneurship due to intergenerational transmission of business ownership is less for Blacks than for Whites. However, it should be noted that even if this is a factor in the lower self-employment rate of Blacks, it is not a major one, because Fairlie and Robb (2007) found that only about 1.6% of small businesses in

general are inherited family businesses. Still it is another factor in the diminished rate of African American entrepreneurship.

1.3 Purpose of the Study

Although the arguments concerning education, household assets, and family are helpful and have been argued to lead to racial/ethnic disparities in entrepreneurial entry rates, they do not fully explain these disparities nor do they fully capture all the issues faced by African American entrepreneurs. Traditionally, researchers have focused on the entrepreneur instead of the consumer when examining the reasons for the low entrepreneurship or entrepreneurial entry rates of African Americans. This is somewhat surprising because businesses cannot thrive or survive without consumers, yet, research examining the impact of consumers' perceptions on businesses and entrepreneurs, specifically African American entrepreneurs, is sparse. The present study will address this gap in the literature by examining if and how consumers' attitudes toward and legitimacy perceptions of African American entrepreneurs affect African American entrepreneurship.

Consumers will patronize businesses that they perceive as legitimate (Aldrich & Fiol, 1994) and toward which they have favorable attitudes. Consumers' attitudes and perceptions of legitimacy are critical for African American entrepreneurs whose businesses may suffer from the continued negative stereotypes held about African Americans. This situation is worse for African Americans that live and work in African American enclaves (Fairchild, 2008). Fairchild (2008) claimed that segregation

exacerbates negative stereotypes of African Americans by non-African Americans resulting in African Americans' social exclusion, discouraging patronage of African American businesses by White consumers, and closing off sources of capital. This is also true for African American consumers and other minority ethnic groups who also tend to adopt the prejudices of the dominant group (Sarnoff, 1960).

Ethnic enclaves have been described as occupational niches in which certain ethnic groups have secured some activity and influence (Model, 1985). Research on ethnic enclaves has mostly examined immigrants and immigrant enclaves, hence, names such as Chinatown, Greektown, Little Italy, and Little Havana (e.g., Logan, Zhang, & Alba, 2002). Logan et al. (2002) described a related term, "ethnic communities," as "ethnic neighborhoods selected as living environments by those who have wider options based on their market resources" (Logan et al., 2002, p. 300). Immigrants with better resources are able to live in affluent but culturally familiar neighborhoods, while those who are less affluent have little choice but to live in neighborhoods that resemble the original forms of immigrant enclaves, which are characterized by poverty, dense population, and mostly inner city locations. African American enclaves are usually located in the inner cities and are densely populated and inhabited by individuals in the lowest income quartile (Iceland, Sharpe, & Steinmetz, 2004). In fact, Iceland et al. (2004) reported that the population of African Americans in the lowest quartile that lives in the enclaves increased from 67% to about 70% between 1999 and 2000.

In attempting to understand African American consumer ethnocentrism and the state of African American entrepreneurship in African American ethnic enclaves, it may

be necessary to examine the genesis of African American enclaves. African American enclaves, unlike other enclaves, formed because of legal exclusion of African Americans from patronizing mainstream businesses (Bates, 2006), while other enclaves formed in response to voluntary immigration of other ethnic groups. In contrast to other ethnic groups who have used their ethnic enclaves in the United States as starting points in their American journey, the African American enclaves have been home to generations of some African American families. Ethnic enclaves provide business and employment opportunities for their residents that otherwise would not be available to them in the larger society (Cummings, 1999). However, there have been arguments that slavery and continued discrimination in the broadest terms may have deprived African Americans of acquiring entrepreneurial acumen, resulting in the lack of a Black business tradition (Bristol, 2004).

Negative stereotypes and lower self-esteem are by-products of discrimination and may affect African Americans' ethnic affiliations and ethnocentric behaviors including consumer ethnocentrism. As mentioned earlier, minorities (in this case African Americans) tend to identify with the aggressor or the dominant group and take on the negative stereotypes and prejudices toward them (Sarnoff, 1960), thus perpetuating these negative stereotypes. This results in unfavorable attitudes toward African American entrepreneurs and preferential patronage of non-African American-owned businesses. This is similar to consumers' preference of foreign goods over national goods in some countries (Huddleston, Good, & Stoel, 2001; Supphellen & Rittenburg, 2001).

According to enclave research (Wilson & Portes, 1980), the rate of self-employment increases in ethnic enclaves faster than in the wider society because enclave entrepreneurs employ and mentor co-ethnics, who with time become self-employed and are able to take advantage of a large concentration of loyal customers who are ethnocentric. Thus, consumer ethnocentrism is central to the success of enclave businesses (Wilson & Portes, 1980). Although a large percentage (about 60%) of African Americans live in African American ethnic enclaves, it does not seem that African American-owned businesses enjoy the benefit of having a concentration of loyal co-ethnic consumers. African American-owned businesses (most of which are located in African American enclaves) continue to fail at a higher rate than non-African American-owned businesses (Fairlie & Robb, 2007). However, non-African American-owned businesses thrive even as African American-owned businesses fail at dismally high rates in African American enclaves (Bates, 1989). This may be a result of African American consumers' weak ethnic affiliations and ethnocentrism caused by negative stereotypes, unfavorable attitudes toward, and low legitimacy perceptions of African American businesses. Some researchers (e.g., Deshpande, Hoyer, & Donthu, 1986; Whittler & Calantone, Young, 1991) have reported differences in the strength of ethnic affiliations among and within ethnic groups.

Ethnicity has a strong influence on consumer decision-making and is a powerful basis for identity and community (Podoshen, 2009). In other words, ethnicity influences behaviors including business patronage. Different ethnic/cultural groups differ in their consumption of different products (Podoshen, 2009). Consumers of the same ethnicity

tend to exhibit similar purchase behaviors (Herche & Balasubramanian, 1994). A consumer's ethnicity or in-group affects the consumer's preferential patronage of co-ethnic businesses or his or her propensity to exhibit ethnocentric behaviors. This is extremely important to the success of ethnic enclave businesses, because ethnic enclave businesses are highly dependent on co-ethnic consumers (Cashdan, 2001; Cummings, 1999; Wilson & Portes, 1980).

Sumner's (1906) description of the sentiments of the in-group towards the out-group may be the origin of the consumer ethnocentrism construct. 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). However, other scholars believe that although hostility toward out-groups strengthens one's sense of belonging to an in-group, it is not a requirement (Allport, 1954). Brewer (1999) posited that ethnocentrism is more about individuals evaluating in-group products, places, cultures, and people more favorably than it is about hostility toward out-group products, places, cultures, and people.

Social behaviors (such as consumer behavior) are often implicit and heavily influenced by experience, attitudes (favorable or unfavorable dispositions toward people, places, and policies), self-esteem, and stereotypes (Greenwald & Banaji 1995). Low self-esteem, negative stereotypes, and unfavorable attitudes of African American consumers toward co-ethnic entrepreneurs can be linked to lower perception of legitimacy of African American-owned businesses and ultimately diminished patronage. This dissertation proposes that the higher failure rate of African American businesses and lower rates of

African American entrepreneurship are in part due to negative perceptions of African American entrepreneurs held by African American consumers. Therefore, examining the impact of the African American consumers' perceptions of the African American entrepreneur is critical and can help explain the state of African American entrepreneurship from the consumer's perspective.

Although consumer ethnocentrism has been applied to individuals' dispositions to foreign products and services in previous research (Balabanis & Diamantopoulos, 2004; Luna & Gupta, 2001; Quellet, 2007; Stayman & Desphande, 1989), the present research extends its application to individual or group bias against specific co-ethnic businesses in their specific ethnic enclaves. This dissertation will focus on the following broad research questions:

1. Are there differences in African American consumers' perceptions of African American-owned and White-owned businesses? If differences exist, do they vary by location (i.e., between predominantly Black and predominantly White neighborhoods)?
2. Do Whites consumers have similar perceptions? Are these perceptions spatial (i.e., differ in predominantly White Vs predominantly Black neighborhoods)?
3. If there are differences in the above, what are the causes and impacts of consumer ethnocentrism on African American businesses?

Consumer ethnocentrism is a critical factor in the success of many ethnic enclave businesses (Cummings, 1999; Waldinger, 1993); however, due to self-esteem issues, negative stereotypes, unfavorable attitudes, and low legitimacy perceptions,

ethnocentrism may not be as strong in African American enclaves as in other ethnic enclaves. This is a major problem for African American entrepreneurs in the African American enclaves, whose businesses are failing at a higher rate than non-African American owned businesses. This has serious implications for policy makers who are interested in encouraging African American entrepreneurship in African American enclaves, and for African Americans who are considering entrepreneurship in African American enclaves.

Addressing the broad research objectives of this dissertation can help inform researchers on the unique issues Black entrepreneurs face through both theoretical development and empirical testing of *a priori* hypotheses. Chapter 2 provides an extensive literature review and discussion of ethnic enclaves, consumer ethnocentrism, reverse consumer ethnocentrism, and the current state of African American entrepreneurship. Formal hypotheses are developed and explicitly stated in Chapter 3. Chapter 4 describes the proposed respondent sample and the research methods that will be utilized to test the hypotheses. Chapter 5 details the results of the hypotheses testing. Chapter 6 discusses the results and implications, and suggests future research directions. Concluding remarks are presented in Chapter 7. A full list of cited references is provided in Chapter 8. Finally, supplementary analyses and some supporting documents in the appendix are provided at the end of the dissertation.

Chapter 2: Literature Review

The concept of ethnic enclaves has been of great interest to researchers and policy makers. Their socio-economic significance and their economic growth—and how they influence or are influenced by entrepreneurship—have been debated among many scholars (e.g., Cummings, 1999; Waldinger, 1993; Wilson & Portes, 1980). This research draws on various literatures from international business/marketing, ethnic, and national identity, social identity, and enclave theory. The first section of this chapter discusses ethnic enclaves and their advantages and disadvantages with respect to successful entrepreneurship. The next section will discuss how self-esteem, stereotypes, attitudes, and perceptions of legitimacy influence ethnocentrism and consumer ethnocentrism. The antecedents to consumer ethnocentrism will also be discussed in this chapter. This will be followed by a section on African American enclaves and how they relate to the broader ethnic enclaves literature. There appear to be differences between African American enclaves and other ethnic enclaves in relation to consumer ethnocentrism and entrepreneurship. The implications will be discussed. The last section of this chapter discusses the theoretical reasons for African American entrepreneurs' struggle in African American enclaves based on social identity theory, identity theory, and other socio-psychological underpinnings of consumer ethnocentrism.

2.1 Ethnic Enclaves

Ethnic enclaves refer to occupational niches in which certain ethnic groups have secured some activity and influence (Model, 1985). Ethnic enclaves are often described

in terms of immigrants, immigrant entrepreneurship, and immigrant employment (Logan, Zhang, & Alba 2002; Model, 1985; Portes & Jensen, 1989). According to these authors, immigrants are assimilated into mainstream society based on their length of stay in the country or on their socioeconomic status. Less affluent immigrants tend to remain in ethnic enclaves that are characteristically poor, densely populated and mostly located in urban areas, while richer immigrants are able to live in more diverse, affluent neighborhoods (Logan, Zhang, & Alba, 2002). Some more affluent immigrants cluster in large numbers in certain neighborhoods and form affluent, culturally familiar neighborhoods (Logan et al., 2002).

Although ethnic enclaves are not limited to immigrants, it is still necessary to examine briefly immigrants' contributions to the U.S. economy, since enclaves are almost synonymous with immigrants. For instance, the fact that self-employed immigrants provide employment for other co-ethnics has been recognized as an important avenue through which immigrants are assimilated into the main stream economy (The Carnegie Endowment for International Peace and the Urban Institute, 1997). Immigrants are significantly more likely than non-immigrants to be self-employed (U.S. Census Bureau, 2006), making a significant contribution to the U.S. economy. Immigrant entrepreneurs have been reported to have founded over 25% of all U.S. publicly listed companies that were venture capital backed in the last 20 years with market capitalization that exceeds \$500 billion, employing over 220,000 people (Anderson & Platzer, 2006). Furthermore, ethnic businesses constitute a source of employment for new co-ethnic immigrants (Bates, 2006; Wilson & Portes, 1980).

Research on ethnic enclaves and their potential effects on residents have been of profound interest to social science scholars. There have been conflicting findings on the advantages or disadvantages of ethnic enclaves. These are discussed in the following sections.

2.2 Advantages of Ethnic Enclaves

Ethnic identity confers certain important business resources on ethnic enclave businesses such as market penetration and power, tight-knit financial and social networks, and enhanced ethnic bond and loyalty, which ultimately strengthen consumer allegiance to ethnic ventures (Light & Rosenstein, 1995). Ethnic solidarity or ethnocentrism promotes a collective approach to business development (Cummings, 1980). In other words, the success of ethnic enclave businesses is highly dependent on the degree of consumer ethnocentrism exhibited by co-ethnics. The stronger the consumer ethnocentrism exhibited by co-ethnics in an ethnic enclave, the greater the likelihood of entrepreneurship entry by co-ethnics, and of success by ethnic enclave businesses.

Another benefit of ethnic enclaves is living and/or working in culturally familiar environments. For newly arrived immigrants, it is welcoming to live and/or work in environments of people of similar culture and language. This is critical for immigrants whose native languages are different from that of the receiving country. This reduces the disadvantages of language barriers, helps immigrants absorb the shock of being in a new environment, and eases the immigrants into the assimilation process (Wilson & Portes,

1980). In contrast to the contemporary work environment, there is an immense social benefit that ethnic enclave employment provides; for instance, individuals may secure employment through friends and family and ethnic bonds, which often results in paternalism, greatly diminishing the employer/employee boundary and leading to a work environment of mutual obligation (Model, 1985).

Furthermore, enclave entrepreneurs 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). Transmission of strategic business information, improved financial networks, consolidated market power and penetration, trust, and strong customer loyalty are all benefits of which enclave businesses enjoy (Light & Rosenstein, 1995). Having a concentration of loyal customers and lower operating costs (due to lower wages, limited need for marketing, and limited competition) allows enclave entrepreneurs to grow at a quicker rate than entrepreneurs in the wider market (Cummings, 1999; Waldinger, 1983).

Model (1985) described the linkage between ethnic groups citing Jews, Asians, and southern Europeans working in small competitive ethnic enclave businesses and the wider marketplace. Model (1985) asserted that there is increased expertise and reduced operating costs due to better labor force, lower prices, and intra-ethnic economic linkages. Ethnic enclave entrepreneurs have the propensity to establish critical intra-ethnic economic linkages with other co-ethnics. Model (1985) described three types of intra-ethnic economic linkages: forward, backward, and horizontal. Forward linkage deals with dependence of ethnic consumers on co-ethnic suppliers, for example, foreign

movies in ethnic grocery stores. Backward intra-ethnic economic linkage is the dependence of ethnic producers on co-ethnic suppliers. Intra-ethnic economic linkages can limit some liabilities of newness for new ventures in terms of trust and business processes. Intra-ethnic and inter-personal bonds can increase the likelihood of doing business because individuals believe that they understand the ways of co-ethnics. Horizontal linkage provides the enclave entrepreneur with an area of expertise, which are easily transmitted within an ethnic group. Model (1985) reported that in Los Angeles County in 1941, about 75% to 90% of farmland that produced some 20 selected crops were owned and tilled by Japanese immigrants. Light (1972) reported that this type of bond between ethnic entrepreneurs and co-ethnics was the reason for the low unemployment rates among Japanese and Chinese in Asian enclaves during the Depression.

Ethnic enclaves also serve as incubators for small ethnic businesses that may not be able to compete in the wider markets (Cummings, 1999). These small ethnic businesses are able to survive because they utilize available cheaper labor in the enclaves. Some studies reported that ethnic enterprises offer more advantages to newly arrived immigrant employees than similar non-ethnic firms. For instance, Wilson and Portes (1980) reported that Cuban immigrants who worked for Cuban immigrant entrepreneurs in a Cuban enclave in Miami fared better than Cuban immigrants that worked in similar non-Cuban enterprises, especially in being able to found their own ventures. Wilson and Portes (1980) claimed that employers were able to pass on business management strategies to co-ethnics, who were glad to work as apprentices. Ethnic enclave employers

are willing to invest in training new employees and giving the employees opportunities to assume managerial roles (Waldinger, 1983).

In an interview with Magnus Aronsson of the Entrepreneurship and Small Business Research Institute, David Birch, an entrepreneur and a well known researcher in neighborhood and community development stated that apprenticeship systems may be the most viable avenue of increasing rates of entrepreneurship (cited in Aronsson, 2004). Birch said that the best way to learn entrepreneurship is to work for and learn from an entrepreneur. Selling, managing people, and creating new products or services, he said were the three most important skills in entrepreneurship. However, he stated that these are not taught in business schools. He argued that they can only be learned in a business setting. Portes and Bach (1985) reported that the new venture founding rate in Little Havana, a Cuban ethnic enclave in Miami, increased from 8% to 21% from 1973 to 1976. This increased rate of entrepreneurship of Cuban immigrants in Little Havana was credited to employment by another Cuban enterprise within the preceding three years, thus showing the economic benefits of apprenticeship. Similarly, Asian enclave employers have assisted their co-ethnic employees to become entrepreneurs (Light, 1972). More recently, Greene and Butler (2004) described how new Pakistani immigrants are provided with jobs by co-ethnic business owners. These newly arrived immigrants are expected to work and save for two years as apprentices. Within these two years, both their language and business skills are honed, and then they are ready to start their own businesses with the money they have saved and with help from their mentor and other members of their community. One may conclude that ethnic enclaves may be

more conducive for apprenticeship, which was earlier discussed as a reasonable avenue of increasing the rate of entrepreneurship. Despite these advantages, certain disadvantages of ethnic enclaves have been reported.

2.3 Disadvantages of Ethnic Enclaves

Ethnic enclaves 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). Residents of these enclaves have slower rates of assimilation and acculturation (including language) because their exposure is usually limited to other co-ethnics. 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 disadvantage 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). This phenomenon is more pronounced in ethnic enclave businesses as immigrants live and work without having to interact with other ethnic groups or know the language of the host country. This may suit enclave employers well — as long as enclave employees are limited in language and cultural skills of the host society, they are limited to relatively low wages (Sanders & Nee, 1987). Sanders and Nee (1987) argue that ethnic segregation slows the economic achievements of minorities because, unlike employment in the primary labor market,

which provides better career trajectory and higher returns on human capital investments, enclave economies are plagued by high turnover rates, low wages, and lower returns on human capital investments.

Sanders and Nee (1987) suggested that although there may be positive implications for enclave entrepreneurs, or those who become entrepreneurs, negative implications have been reported for some enclave workers; for instance, some scholars (e.g., Zhou & Logan, 1989) have argued that if human capital investments yielded greater returns to ethnic enclave workers, this would be reflected in educational advancements, labor market experience, and earnings. This does not seem to be the case. Research shows that Cuban and Chinese immigrants showed a significant earnings-return to education only outside Cuban and Chinese enclave economies (Zhou & Logan, 1989).

Another major disadvantage of ethnic enclave businesses is their “sweat shop like” practices. In general, ethnic enclave entrepreneurs pay low wages to the co-ethnic employees who work in their establishments (Waldinger, 1983). This is concerning for some, especially when unscrupulous entrepreneurs take undue advantage of newly arrived immigrants under the pretext of offering them apprenticeship. Sanders and Nee (1987), studying Chinese immigrants in California, suggested that there are some exploitation of co-ethnics by ethnic entrepreneurs in enclave businesses. Their study was replicated in New York’s Chinatown by Zhou and Logan (1989), and the earlier findings of exploitation were supported.

According to Zhou and Logan (1989), a large percentage of the enclave workforce is made up of female employees, but their mobility is much less than that of

their male counterparts. They reported a significant positive coefficient for human capital effects, such as college education and proficiency in English language, among immigrant women outside enclaves and a total absence of any such human capital variables inside the enclaves. Zhou and Logan (1989) reported that disparately lower earnings of female enclave workers was not related to lower education, experience, or English language ability compared to the male enclave employees. They also stated that cultural obstacles for instance, occupational segregation and other roles (e.g., wife, mother, and worker) may conflict with their ability to make a full-blown career out of their work like their male counterparts do. Furthermore, there is gender discrimination in male-dominated ethnic enclaves, therefore, the limited jobs that require higher educational levels in ethnic enclaves usually tend to be taken by men (Nee & Sanders, 1987; Zhou & Logan, 1989). Finally, ethnic enclave businesses, especially if their operations are confined to the enclaves, usually have higher insurance rates, more limited access to credit and capital, and smaller markets than businesses that operate in the wider market (Cummings, 1999).

The two preceding sub-sections dealt with the advantages and disadvantages of ethnic enclaves and their socio-economic impacts on ethnic enclave residents and businesses. However, in order for businesses to enjoy the advantages that enclaves offer, there needs to be strong support by co-ethnic consumers. Co-ethnic consumers have to exhibit high ethnocentrism for ethnic businesses to thrive and be successful. The next sub-section deals with ethnocentrism and consumer ethnocentrism, and the factors that influence them.

2.4 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). 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 involves a less favorable disposition of the in-group towards the out-group with the in-group being the point of favorable reference. There is a deep distinction made between groups that an individual identifies with (in-groups) and groups he or she does not identify with (out-groups), which sometimes develops into hostility or warfare toward the out-group (Cashdan, 2001) and supportive attitudes and opinions toward the in-group (Durvasula et al., 1997).

Balabanis and Diamantopoulos (2004) showed that although ethnocentrism is considered a group phenomenon, it is also an individual level phenomenon. They described consumer ethnocentrism as a trait-like property of an individual's personality. Balabanis and Diamantopoulos (2004) addressed consumer ethnocentrism in the context of domestic country bias, where individuals are less favorably disposed toward foreign goods. Sumner's (1906) view of ethnocentrism was that favorable in-group assessment equated to hostile out-group disposition. He said, "the relation in the comradeship and peace in the we-group and that of the hostility and war towards the others-group are

correlative to each other. The exigencies of war with outsiders are what make peace inside” (Sumner, 1906, p. 12).

Although Allport (1954) agreed with Sumner (1906) that there is favoritism towards the in-group, he realized that identification with one’s in-group does not necessarily mean hostility toward out-groups. Allport (1954) stated that “what is alien is regarded as somehow inferior, less good but there is not necessarily hostility towards it. . . . Hostility toward out-groups helps strengthen our sense of belonging, but it is not required” (Allport, 1954, p. 42). There is support for Allport’s insight regarding ethnocentrism in the sense that several studies have related consumer ethnocentrism to more favorable evaluation of in-group products or services rather than hostility toward out-group products or services (Brewer, 1999; Jost, Banaji, & Nosek, 2004). However, Brewer (1999) stated that people band together in groups in order to successfully compete with other groups and survive in an environment of scarcity. Therefore, the absence of scarcity or hostility will result in less in-group cohesion. Moreover, the absence of hostility towards the out-group will increase the chances of the in-group acceptance of the out-group (Cashdan, 2001). This increased acceptance of the out-group weakens ethnocentrism and leads to lower consumer ethnocentrism.

Ethnocentrism is so pervasive in societies that some researchers argue that it is a part of human nature (Lynn, 1976). Ethnocentrism is not only applicable to countries and ethnic groups; it also applies to social groups, and it can develop into sectionalism, racial prejudice, religious discrimination, and patriotism (Shankarmahesh, 2006). Antecedents of consumer ethnocentrism as described by Shankermahesh (2006) are discussed in a

later section. The next section will discuss consumer ethnocentrism and its implications for entrepreneurs.

2.5 Consumer Ethnocentrism

Consumer ethnocentrism is a domain-specific sub-set of ethnocentrism for studying consumer behavior (Shimp & Sharma, 1987). 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). 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) viewed consumer ethnocentrism as an individual level phenomenon. Balabanis and Diamatopoulos (2004) addressed consumer ethnocentrism in the context of domestic country bias, where individuals are less favorably disposed toward foreign goods.

Consumer ethnocentrism is a result of pervasive societal tendency (Shimp & Sharma, 1987) or an informal government policy that disproportionately restricts foreign goods or companies and uncritically favors domestic products and companies (Kotabe & Helsen, 1998). Shimp and Sharma (1987) stated that, “consumer ethnocentrism is a unique economic form of ethnocentrism that captures the belief held by consumers about the appropriateness and indeed the morality of purchasing foreign-made products” (p.

280). In fact, consumer ethnocentrism is recognized as one of the most enduring forms of non-tariff barriers to international trade (Shankarmahesh, 2006).

International marketers grapple with whether consumers in different countries will find a product less preferable due to its foreignness (Shankarmahesh, 2006). Scholars have identified two main influences of country of origin on consumer behavior (Balabanis & Diamantopoulos, 2004). The authors stated that the first is the bias against foreign products in favor of domestic products, referred to as domestic country bias (DCB). This bias is manifested in both product perceptions and buying intentions, and is linked to the second, called the country of origin (COO) effect (also known as “made in effect”). COO describes consumers’ bias against a product based on its country of origin (Balabanis & Diamantopoulos, 2004).

The extent of a favorable bias or lack of favorable bias toward a product by consumers depends on the product’s country of origin, in other words, varying degrees of consumer bias toward a product depend on the product’s country of origin (Peterson & Jolibert, 1995; Verlegh & Steenkamp, 1999). Scholars have studied consumer ethnocentrism in different countries; for instance, Ettenson (1993) studied consumers in Russia, Poland, and Hungary, and found that even though these Eastern European countries were in close proximity, a product’s country of origin had differential effects on consumers from these different countries. Russians are more open than Poles to Western goods (Good & Huddleston, 1995). Lin and Sternquist (1994) found that a product’s country of origin affected Taiwanese consumers’ perceptions of product quality, while Klein, Ettenson, and Morris (1998) found that economic and military rivalry between

China and Japan affected Chinese consumers' perceptions and willingness to purchase Japanese products. DCB and COO can have serious implications for consumers' preference for foreign products.

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 (Quellet, 2007). The strength of consumer ethnocentrism is helpful for business managers to better gauge how present and prospective customers feel about purchasing foreign or domestic products (Shimp & Sharma, 1987). The cultural diversity within the U.S. makes understanding consumer ethnocentrism even more critical, especially in relation to regional marketing and geographic segmentation. Cultural diversity may influence lifestyles and purchase behaviors by regions and even zip codes; therefore, it is necessary to customize promotional messages, products, or even business establishments to suite specific target regions or cultures (Shimp & Sharma, 1987).

Even though most studies on ethnocentrism and consumer ethnocentrism utilized cross-country data for their analyses, other studies have used in-country cross-cultural data to examine the effects of ethnicity on consumer behavior (Bates 2002; Cheng & Espiritu, 1989; Durvasula, Andrews & Netemeyer, 1997; Fairchild, 2008; Stayman & Desphande, 1989; Wilson & Portes, 1980). Some of these in-country cross-cultural studies have examined entrepreneurship in different ethnic enclaves in the United States, for instance, Chinatown (Sanders & Nee, 1992), Cuban enclaves (Wilson & Portes, 1980), African American enclaves (Bates, 2002; Wilson & Martin, 1982), and Japanese enclaves

(Zhou & Logan, 1989). The broad focus of the present study is on the effects of consumer ethnocentrism on enclave entrepreneurship.

2.6 Culture and Consumer Behavior

Individuals' cultural value systems largely dictate their behaviors in a given context and are influenced by family values and societal and regional subcultures. They are developed over time as they become institutionalized in different groups (Luna & Gupta, 2001). In other words, over time a given group of consumers' perceptions of products, types of business, places of business, and even the ethnicity of the business owners are likely to be similar and can become the norm for a given group of people. Cultural effects on consumer behavior can be across countries or within countries (Shankermahesh, 2006). Luna and Gupta (2001) proposed an integrative framework for examining cross-cultural consumer behavior.

Luna and Gupta (2001) examined the effects of values and cognition on perceptual categorization and perceptual inferences, and how they ultimately affect consumer behaviors. They also described the effects of symbols, rituals, and heroes on consumer behavior, concluding that all these may have profound effects on consumer ethnocentrism. For instance, certain ethnic groups consume certain products because they are viewed as ritualistic or have religious implications (for example, "Halal" meats for Muslims). Heroes influence consumers' cognitions, affects, and behaviors, and may result in ethnic bias in consumer perceptions of a product or business establishment (for example, endorsements by Magic Johnson), more favorable evaluation of one's own

ethnic/culture products or businesses, and consumer decision making (Luna & Gupta, 2001). Hence, having a product or business establishment that appeals to peoples' willingness to identify with their ethnicity may influence consumer ethnocentrism.

2.7 Antecedents of Consumer Ethnocentrism

Shankermahesh (2006) described four broad categories of empirically tested antecedents of consumer ethnocentrism. These categories are economic, political, demographic, and socio-psychological and they are discussed below.

2.7.1 *Economic Antecedents*

According to Shankermahesh (2006), consumer ethnocentrism is linked to economic environments. For instance, Rosenblatt (1964) suggested a negative relationship between capitalism and ethnocentrism because of the likelihood of ethnocentrism diminishing intra-group competition. Shankermahesh (2006) suggested different levels of consumer ethnocentrism based on different transitional stages of an economy, claiming that there is lower ethnocentrism in the early stages of economic transition of countries to market economy, stating that consumers may have a higher preference for foreign products because of perceived better quality, higher status, as well as curiosity. In the intermediate stage, consumer ethnocentrism is higher because consumers tend to purchase more domestic products, perhaps because domestic products tend to emulate the standard of imports, and in later stages, consumer ethnocentrism declines due to the influx of multinationals.

Most ethnic enclaves in the United States seem to reflect the levels of ethnocentrism occurring at the intermediate stage of economic transition, in which consumers tend to be more ethnocentric, perhaps due to the absence of competition in ethnic enclaves. Most ethnic enclaves seem to have loyal customers who may purchase non-ethnic products or patronize non-ethnic businesses but seem to prefer their ethnic products or co-ethnic business establishments, when available. Ethnic enclave businesses try to imitate the quality of products (with regard to packaging and health concerns) in the wider markets in the U.S.; hence, ethnic products may even be better in the ethnic enclaves than in the home countries of these ethnic groups. For instance, beans that are sold in African food markets in the U.S. are debris-free and better packaged to match what African consumers may find in the big chain supermarkets in the U.S. Thus, African consumers have one less reason to purchase beans from non-ethnic sources.

2.7.2 Political Antecedents

Leaders can influence a group's ethnocentrism by either downplaying or promoting the propaganda of threat of the out-groups (Shankermahesh, 2006). Consumer ethnocentrism can also be influenced by political history; for instance, Polish people are arguably more consumer ethnocentric than Russians because Poland has had a history of being an oppressed nation. Its citizens tend to be more protective of their national identity and products. In contrast, Russians have enjoyed a history of being conquerors and are more open to Western products and therefore, less ethnocentric (Good & Huddleston, 1995). Cashdan (2001) explained how pacification can reduce the propensity of a people

to be ethnocentric. Cashdan (2001) stated that ethnic loyalty was weaker in pacified people. Pacification may be the reason African Americans tend not to be as ethnocentric as other ethnic groups in the United States. Even though African Americans have endured discrimination and oppression, some public policies like affirmative action and desegregation can be viewed as pacifying African Americans resulting in African Americans' openness to patronize non-co-ethnic businesses.

African Americans have a significantly different history from all other ethnic groups in the U.S.; hence, their ethnic enclaves are different from other ethnic enclaves in many ways including consumer ethnocentrism. In fact, some may prefer to purchase from non-African American establishments as a status symbol. This low level of consumer ethnocentrism may seriously affect African American entrepreneurship, especially in African American enclaves.

2.7.3 Demographic Antecedents

Age: According to Shankermahesh (2006), there are mixed findings regarding age and consumer ethnocentrism; for instance, he reported that Klein and Ettenson (1999) found that younger people seem to be less ethnocentric than older people, showing a positive association between age and consumer ethnocentrism. However, Bannister and Saunders (1978) found the opposite, while Sharma, Shimp, and Shin (1995) found no significant statistical associations.

Education: Klein and Ettenson (1999) also found that there is a negative relationship between consumer ethnocentrism and levels of education. This negative

relationship between education and consumer ethnocentrism was also reported by Good and Huddleston (1995), who found that less educated Polish people were more ethnocentric. The more educated an individual, the less ethnically prejudiced and conservative he or she tends to be (Shankermahesh, 2006).

Social Class and Income: There are mixed results concerning the relationship between consumer ethnocentrism and social class and/or income. Some scholars have reported a negative association stating that individuals with higher income and higher social class have the ability to travel internationally, tend to be less restrictive in their world perception because of interactions with other cultures, and are, therefore, less ethnocentric (Klein & Ettenson, 1999; Sharma et al., 1995). Caruana (1996) found some support for a negative relationship between the education dimensions of social class and consumer ethnocentrism, while a negative relationship between income and residence type dimensions of social class was not supported. However, others like Tan and Farley (1987) found a positive association. The reason for the mixed results may be due to the different transitional stages of an economy described by Shankermahesh (2006), who suggested different levels of ethnocentrism at different stages of economic transition.

Race/Ethnicity: There have been mixed empirical results concerning inter-ethnic group differences in multi-cultural countries and differences in consumer ethnocentrism, specifically between the dominant majority culture or ethnic group and the different non-dominant minority ethnic groups and culture (Shankermahesh, 2006). Klein and Ettenson (1999) and Piron (2002) found no significant relationship between race/ethnicity

and consumer ethnocentrism, while Zarkada-Fraser and Fraser (2002) reported that minorities were more likely than the majority ethnic group to purchase foreign products.

African Americans, being a minority group in the U.S. may be more likely to purchase foreign products, or may be likely than Whites to purchase from non-co-ethnic businesses.. Jost and Thompson (2000) reported that a minority group tends to emulate the behaviors of the majority group, including business patronage. African Americans, being the non-dominant minority group, may tend to emulate the purchase behavior of Whites regarding patronizing White-owned businesses. This also has very serious implications for African American entrepreneurs.

2.7.4 Socio-Psychological Antecedents

Shankermahesh (2006) also described research focusing on the relationships between consumer ethnocentrism and some socio-psychological factors, such as dogmatism, external values, materialism, conservatism, cultural openness, patriotism, collectivism-individualism animosity, and salience. Shankermahesh (2006) found that consumer ethnocentrism is positively related to external values. Conservative individuals are less likely to accept changes, or are reluctant to introduce changes (Sharma et al., 1995). The relationship of conservatism to consumer ethnocentrism can be confusing; conservative people may not purchase foreign products but conservative political parties in the United States and the United Kingdom are strong advocates of free trade (Shankermahesh, 2006).

Cultural openness, which is the willingness to interact with other cultures, has been reported to have a negative relationship with consumer ethnocentrism because culturally open individuals are more likely to have more cross-cultural interactions and are less likely to view other cultures with contempt (Shimp & Sharma, 1987). Because of their history of slavery and continued discrimination, African Americans seem to be more open to interacting with other cultures or may be forced to do so because of their minority status. Collectivism-individualism also influences consumer ethnocentrism. There is a positive association between collectivism and consumer ethnocentrism, while the reverse is the case for individualistic societies, where people judge products on their own merits regardless of country of origin (Shankermahesh, 2006). African Americans tend to be collectivist even though they live in an individualistic society (Gaines, Marelich, Bledsoe, Steers, Henderson, Granrose, 1997), however, some of their social behaviors including purchase behavior tend to be in line with that of an individualistic society. Perhaps the desire to behave like the majority ethnic group (acculturation) or domination (Gaines et al., 1997) explains why African Americans tend to be less discriminatory about patronizing businesses not owned by African Americans.

Given their history of slavery and continued discrimination, one would expect African Americans to exhibit greater ethnic solidarity and ethnocentrism than Whites or other ethnic groups in the United States as suggested by Sidanius, Feshbach, Levin, and Pratto (1997), but this does not seem to be the case (Wilson & Portes, 1980) reported just the opposite. One might also expect African Americans to have some animosity toward White business establishments, but this also does not seem to be the case. After all, not

that long ago, African Americans had less freedom than Whites to shop. Animosity towards a specific country may affect individuals' judgment of products from that country, for instance regardless of price, quality etc, Jewish consumers may still have some animosity toward German products because of the Holocaust (Podoshen, 2009). While some of the antecedents of consumer ethnocentrism pertain to the state of African American entrepreneurship in African American enclaves, others are not specific to African Americans.

In the next section, I will discuss the spatial impacts of urban (inner city) and suburban residences, and how they affect Black entrepreneurship, given the varying levels of the existence of racial/ethnic segregations in these locations. Even though Americans tend to cluster in racially/ethnically distinct communities, the suburbs are more likely to be less segregated (Darden & Kamel, 2000; Fairchild, 2008). I will also discuss the African American enclaves and in what ways they differ from other ethnic enclaves, specifically as regards entrepreneurship.

2.8 Urban (Inner city)/Suburban Dimensions

Urban and suburban life has attracted much public policy debate and research for almost a century (Adams, 1992). Americans have the tendency to ethnically/racially cluster into distinct neighborhoods (Fairchild, 2008). The extent of this clustering can be seen in the differences in the racial/ethnic constitution of the U.S. inner cities (urban areas) and the suburbs. While lower socioeconomic status of Blacks has been linked to their high level of segregation and low level of suburbanization (Darden & Kamel, 2000),

Farley (1995) concluded that race/ethnicity plays a more central role than income in Black segregation. Farley, Steeh, Jackson, Krysan, and Reeves (1993) reported that Blacks living in Detroit in 1990 were making the same rent and mortgage payments they would have if they lived in the suburbs. This has been ascribed to racism and discrimination. Although the Civil Rights Act of 1968 made discrimination in the rental and sale of houses illegal, discrimination in housing still persists, thus residential exclusion of Blacks remains high, resulting in most Blacks (about 60%) residing in the inner-cities/urban areas (Williams, 2001). Williams (2001) argued that, nationally, 66% of Blacks would have to move to eliminate segregation. 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).

There are some implications concerning segregation and self-employment. For instance, some researchers (e.g., Wilson & Portes, 1980) reported that segregation fosters opportunities for economic advances, others (e.g., Cummings, 1999; 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 (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 based on stereotypes (Fairchild, 2008). Residential segregation (especially in the urban areas) in concert with labor market discrimination, low education levels, and low income negatively influence self-employment because many small businesses compete for a very limited market, resulting in high business failure (Fairchild, 2008).

Classic urban theory suggests that high population density and mobility 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 neighborhoods that have high turnover of residents provide fewer opportunities for residents to meet and develop friendships when compared to more stable suburban neighborhoods. Urbanites deal with this situation by ignoring or allocating less time to their neighbors, participating less in neighborhood activities, or taking part in exploitative forms of social interactions. Adams (1992) also suggested that these neighborhoods characterized by high resident turnover have more crimes, which is one of the social ills that are pervasive in urban areas.

Williams (2001) noted some ill effects of residential segregation. First, he stated that educational opportunities are limited for inner-city dwellers, since residence determines which public schools students can attend. He stated that public schools, which had high Black and Hispanic populations, were dominated by poor children, while

poor White children tend to go to school in different communities, many in desirable neighborhoods. He also stated that in 96% of predominantly White schools (mostly in the suburbs), the majority of the students come from middle-class families. Less qualified teachers, fewer connections to colleges, and negative peer pressure were some factors noted, that limited educational achievements of inner-city children.

Second, Williams (2001) stated that institutional discrimination, based on residential segregation, severely limits employment opportunities of urban minorities. He noted that negative stereotypes of Blacks play a critical role in corporations' decision-making process concerning placement of new facilities or relocating existing ones. He also concluded that long-term exposure to poverty in these urban areas can undermine a strong work ethic, diminish the stigma of crime and imprisonment, and devalue education, leading to low educational and economic achievements and serious health disparities. This has strong implications for Black entrepreneurship, as in past research; education, financial and social capitals have been noted to influence entrepreneurship (e.g., Bates, 1997; Fairlie, 2004; Hisrich & Peters, 2002; Scarborough & Zimmerer, 2005; Singh et al., 2007).

Interestingly, however, Williams (2001) and others have argued that there are negative stereotypes that are associated with urban living. These negative stereotypes are amplified when in concert with race/ethnicity. Negative stereotypes concerning Blacks affect the way that they are perceived by Whites and other races/ethnicities and even how Blacks view themselves. This negatively affects the image of Black entrepreneurs and the patronage of Black-owned businesses by Whites, Blacks, and other ethnic groups.

Although both Blacks and Whites live in the inner cities, they live in racially/ethnically segregated neighborhoods (Darden & Kamel, 2000). Thus, negative stereotypes persist in these neighborhoods. Whites tend to view themselves favorably, socioeconomic status notwithstanding. Therefore, although differences between suburban Whites and inner-city Whites exist, they are usually not as damaging as they are for Blacks. Tallman and Morgner (1970) listed local intimacy and social participation as differences between White urbanites and suburbanites. They claimed that people that live in the suburbs are more likely to know their neighbors and participate in local events. They also reported that there was a difference in socioeconomic status between Whites that live in the suburbs and those that live in the inner cities. According to Adams (1992), suburbanite Whites or Blacks are more likely to know their neighbors, are more likely to share information concerning what they do for a living, and participate in community activities and more likely to view themselves as being of the same income and education levels, thus limiting unwarranted negative stereotypes. In the suburbs, this is an advantage for the Black entrepreneur who may depend on his or her neighbors for patronage. These neighbors have more favorable attitudes toward their Black business owner-neighbors because of negative stereotypes are diminished through social interactions; hence, these neighbors perceive Black business owner-neighbors as legitimate. In contrast, in the inner cities, where negative stereotypes persist due to segregation, consumers hold unfavorable attitudes toward Blacks and Black-owned businesses, and hence, may view them as less legitimate. This ultimately affects Black-owned business patronage and Black entrepreneurship.

2.9 African American Enclaves

Some of the above-mentioned factors may be more relevant and may have more implications than others for the African American consumer. Most ethnic enclaves within the U.S. are typically made up of recent generations of immigrants, who are generally assimilated into the wider society in time; however, because of the unique history and continued disenfranchisement of the African American, segregated ethnic enclaves have persisted. The African American enclaves in the inner cities of the United States are similar to the immigrant enclaves in that they are densely populated, characteristically poor, and are in urban areas (Logan, Alba, & Zhang, 2002). In fact, about 59% of African Americans live in African American enclaves (Iceland, Weinberg, & Steinmetz, 2002). Ethnic enclaves are usually where new immigrants settle because cost of living is low and cultural familiarity makes the enclave environment similar to that of the country from which they came. These immigrants are then assimilated into the wider society in time. However, many African American families remain in the enclave through many generations (Logan et al., 2002).

African American businesses in the urban areas depend mostly on African American customers for survival. This may seem a little problematic since Iceland, Sharpe, and Steinmetz (2004) found that African Americans in the lowest income quartile live in neighborhoods in which 67.7% of the residents are also in the lowest income quartile and are African Americans. The low income levels of inner-city Blacks is the reason Cummings' (1999) asserted for the high failure rates for African American businesses that depend on enclave patronage. However, if this assertion holds true for

other ethnic enclaves, where residents also have very low incomes, ethnic enclave businesses will not be as successful as reported by some scholars like Wilson and Portes (1980) and Portes and Bach (1985). Moreover, other non-ethnic businesses in African American enclaves will also have high failure rates. However, Fairchild (2008) reported that although income levels are low in African American enclaves, the sheer concentration of consumers in these enclaves makes these enclaves attractive to businesses.

Employment based on ethnic similarity reflects the employment situation in Black-owned businesses. Research shows that black-owned businesses are more likely to employ Black people, while White-owned businesses are more likely to employ Whites (Bates, 2006). Therefore, ethnic entrepreneurship plays a vital role in the economic development of ethnic enclaves through provision of gainful employment. It is even more important that ethnic businesses in enclave are owned by individuals of that particular ethnicity because Bates (2006) claimed that the ethnicity of the owner of a business trumps the location of the business in relation to employment. Bates (2006) reported that more than half of White-owned businesses in the urban areas did not have a single minority employee. In fact, Bates (2006) found that white-owned businesses in the suburbs were more likely to employ minorities than White-owned businesses in the inner city. This can be an advantage for African American workers in the enclave who have less competition from other ethnic groups.

The protected enclave market resulted from African Americans' historical legal exclusion from patronizing mainstream businesses. There are mixed results concerning

the socioeconomic significance of African American enclaves. Cutler and Glaeser (1997) reported a significant negative association between ethnic segregation and the socioeconomic outcomes for African Americans, while Collins and Margo (2000) found no negative relationships. Other researchers, including Cummings (1999), have questioned the advantage or the continued relevance of such enclave enterprises, suggesting that the rate of growth of African American businesses has remained relatively low for decades because these businesses do not expand into the wider markets. Despite the arguments of several researchers that there are limited long-term growth benefits for African American enclave businesses, public policies geared toward urban development (for instance, empowerment zones, the Community Development Act, the Housing Act of 1966, The Urban Development Action Grant Program) continue to focus on promotion of protected enclave forms of business (Cummings, 1999).

Hyman (1998) suggested that perpetuation of the old forms of business (protected enclave business) contributes to a weak market and called for a change from “business as usual” to more dynamic (innovative) forms of business that are able to compete in the wider market. Cummings (1999) reported a high failure rate for African American entrepreneurs who depend on a segregated market, while Wilson and Portes (1980) reported lower failure rates as well as higher rates of new business founding for Cuban entrepreneurs in Little Havana, a Cuban enclave in Miami, Florida, citing the above-mentioned advantages of ethnic enclaves. It may be that the issues that critics of enclave businesses have reported may be specific to certain groups, such as African American

businesses in African American enclaves, since other ethnic businesses seem to thrive in their ethnic enclaves, as well as in African American enclaves.

This issue is very puzzling. If African American consumers in African American enclaves patronize African American businesses as consumers of other ethnicities who patronize their own ethnic businesses, and if by the concepts of ethnocentrism, consumer ethnocentrism, and the enclave theory, as postulated, are valid, the failure rates of African American businesses should not be higher than the failure rates of other ethnic groups. Despite the advantages of ethnic enclaves, African American entrepreneurship in African American enclaves continues to struggle, as businesses owned by people of other ethnic groups seem to succeed and expand in African American enclaves. In fact, Wilson and Martin (1982) reported a near absence of intra-ethnic economic linkage with African American businesses compared to a strong intra-ethnic economic linkage in Cuban businesses. Since consumer ethnocentrism is the critical reason that ethnic enclave businesses succeed (Light & Rosenstein, 1995; Wilson & Portes, 1980), it would seem the lack of success or the disproportionately low rate of African American entrepreneurship in the African American enclaves may be due to consumer ethnocentrism.

2.10 Consumer Ethnocentrism in the African American Communities

Based on the discussion above, this section considers factors that affect consumer ethnocentrism in African American enclaves. Increasing ethnic diversity in the United States has led to an increase in research related to race and ethnicity, especially ethnic

identity and ethnocentrism. Negy, Shreve, Jensen, and Uddin (2003) described ethnic identity as referring to “self-identification as a group member, attitudes about oneself as a group member, extent of ethnic knowledge and commitment, and ethnic behaviors and practices” (Negy et al., 2003, p. 334). Phinney (1996) found that ethnic identity affects how people live and interact with people of the same ethnicity or different ethnicities. Ethnic identity varies from person to person and can change over time (Negy et al., 2003). Ethnic identity development and formation are critical in understanding ethnic identity. According to Phinney (1996), ethnic identity formation deals with understanding and acceptance of one’s own group in spite of stereotypes, racism, negative attitudes, lower status, and lower prestige in the society.

Several scholars have developed models with which to analyze ethnic identity. Clark and Clark (1939) and Cross (1971) have developed models and scales to study and measure Black racial identity. Helms (1990) developed a non-racist White identity model. Black identity development may include exploring the history of slavery, racism, discrimination, and other injustices while in White identity development, Whites may be aware of racism but are not generally aware of the implications of being White (Helms, 1990). Ethnic identity has also been linked to self-esteem. Research has found that higher ethnic identity was associated with higher self-esteem but may not directly contribute to self-esteem because ethnic identity is influenced by both individual level differences and reference group orientation (Negy et al., 2003). Ethnocentrism and consumer ethnocentrism are strongly linked to ethnic identity (its related stereotypes and attitudes) and self-esteem (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). This research stream is almost non-existent in the field of entrepreneurship, although it would seem that consumer behavior is central to entrepreneurial success.

Ethnocentrism is a group as well as an individual level phenomenon (Balabanis & Diamantopoulos, 2004) that can be explained by identity theory (Stryker & Burke, 2000) and social identity theory (Hogg & Abrams, 1988; Tajfel & Turner, 1979). These two theories are distinct but are with regards to the nature of normative behaviors (Hogg, Terry, & White, 1995), such consumer ethnocentrism. 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 et al., 1995). Both these theories can be used broadly to explain the phenomenon of consumer ethnocentrism.

Stryker (1968) used identity theory to explain the interactions between society and self and can be used to predict role-related behaviors, such as consumer behaviors. Individuals' social interactions with others form the basis of how they identify

themselves, and since individuals interact in groups (they may acquire as many distinct selves as they have groups) (Hogg et al., 1995). Hogg et al. (1995) explained that these distinct selves, known as role identities, are self-conceptions, self-definitions, or self-cognitions that people use in the process of self-identity as a member of a given social group, and links individual behaviors, like consumer ethnocentrism, with social structures.

Social identity theory postulates that the social category into which individuals fall and to which individuals feel they belong forms the basis of their identity (Tajfel & Turner, 1979). 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. Consumer ethnocentrism was described by Shimp and Sharma (1987) 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). Self-enhancement and self-categorization theory are sub-sets of social identity theory that can specifically explain consumer ethnocentrism.

Self-enhancement addresses individuals’ subjective beliefs about the nature of the relations between their in-group and the relevant out-groups. For instance, a group, that believes that its lower status position in society is relatively legitimate and stable and has the chance to pass psychologically into the dominant group will be less likely to show much solidarity or ethnocentrism, while a group that believes that its lower status position

is illegitimate and unstable with little or no chance of passing psychologically into the dominant group will exhibit more solidarity or ethnocentrism (Hogg et al., 1995).

According to Hogg et al. (1995), the in-group/out-group categorization of self and others defines individuals' social identity and their perception of the cognitive similarities of the in-group members, which results in the depersonalization of self; depersonalization of self is the basis for group phenomena, such as social stereotyping, group cohesion, group attitude, and ethnocentrism.

Empirically and indeed logically, stronger ethnic identity should result in stronger ethnocentrism and consumer ethnocentrism; stronger self-esteem should also result in stronger ethnocentrism and consumer ethnocentrism (Masson & Verkuyten, 1993). However, Negy et al. (2003) found support for social identity theory among Whites and Hispanics but not African Americans. They reported a significant correlation between ethnic identity and ethnocentrism for Whites and Hispanics but not for African Americans. They also found that self-esteem was correlated to ethnic identity and ethnocentrism for Whites and Hispanics but not for African Americans, even though African Americans had a higher ethnic identity and self-esteem score in their study.

Ethnicity was studied as an inter-individual, group membership characteristic, classifying individuals based on last name and country of origin, but more recent studies, have suggested that identification and behavior are also situationally determined (Stayman & Desphande, 1989). In other words, individuals would first identify the ethnic groups that they belong to, and then indicate the strength of their affiliation with the group. Belk (1975) identified five dimensions of situations that may influence ethnic

identification and related behavior: physical surroundings, social surroundings, temporal perspectives, task definition, and antecedent states. Later researchers used Belk's (1975) dimensions as an initial framework but focused more on individuals' perceptions and responses as they relate to ethnicity and consumer behavior.

Stayman and Desphande (1989) suggested that of the five dimensions postulated by Belk (1975), the antecedent state and the social situation dimensions were the most relevant in examining situational ethnicity. They used two examples to illustrate their position. First, for the antecedent state, they gave an example of an Irish-American celebrating St. Patrick's Day who decided to eat out. They contended that given the probable heightened state of felt ethnicity, that individual would more likely choose an Irish restaurant for that day compared to other days the same individual felt like eating out. Second, when considering social situations, they suggested that salience of ethnicity may increase or decrease depending on the extent of similarity between an individual's ethnicity and that of others in a given situation. They stated that there are different norms of ethnic behavior for different social situations, giving as an example that the type and amount of drink and food that is appropriate for a Chinese wedding may differ from those of a Jewish wedding. Stayman and Desphande (1989) suggested that the relationship between ethnicity and behavior is affected by the type of product in question. In other words, ethnocentrism and consumer ethnocentrism are influenced by the type of products or services being considered and can have serious implications for African American entrepreneurs in African American enclaves.

It seems that for certain business categories in African American enclaves, like barbershops or hair salons, African American entrepreneurs enjoy an almost exclusive patronage, such as those seen in other ethnic enclaves for most business categories. However, these business categories are limited and enclaves may be saturated leading to high failure rates. Hyman (1998) referred to this as the perpetuation of the old forms of business. He described these as usually small and similar types of business, which are prone to fail, and called for a change to more dynamic (innovative) forms of business and perhaps a larger variety of businesses that are more sustainable and are able to compete in the wider market. This is a tall order for the African American enclave entrepreneur because even some establishments, for instance the “soul food” restaurants that should be identified with the African American, are being founded and managed by non-African Americans in African American enclaves. This is similar to a Black entrepreneur owning and managing a Chinese restaurant in China Town. It is very unlikely that Chinese consumers in China Town will patronize this Black Chinese restaurant owner/operator. However, Black consumers continue to patronize preferentially their ethnic restaurants owned and operated by non-ethnic entrepreneurs (see Gregory, 1973). The reason for this African American consumer behavior can be linked to the negative stereotypes, low self-esteem, unfavorable attitudes of African American consumers toward co-ethnic businesses, and low/lack of legitimacy perceptions of African American-owned businesses.

Thus, this research focuses on how consumer attitudes toward African American-owned businesses, legitimacy perception of African American-owned businesses, and

ultimately patronage of African American-owned businesses affect African American entrepreneurship. As discussed earlier, ethnic identity confers certain important business resources on ethnic enclave businesses. Since ethnic enclave businesses rely heavily on co-ethnic patronage (Cummings, 1999), it is critical that these consumers hold favorable attitudes toward these ethnic enclave businesses in order for them to be successful (Wilson & Portes, 1980). Attitudes are influenced by stereotypes that consumers may have of co-ethnic businesses or co-ethnic business owners (Greenwald & Banaji, 1995; Perkins, Forehand, Greenwald, & Maison, 2008) and also the self-esteem of the consumer (Steinman & Karpinski, 2008). Consumers also have to perceive co-ethnic-owned businesses as legitimate. As with attitudes, stereotypes and self-esteem may influence consumers' perceptions of business legitimacy. Consumers are more likely to patronize businesses that they perceive as legitimate because, legitimacy fosters trust relationships (Morse, Fowler, & Lawrence 2007), and ultimately leads to increased patronage or higher consumer ethnocentrism.

In social psychology, attitude was declared the most indispensable concept (Perkins et al., 2008). Attitude is defined as inclination toward evaluation of a class of objects (Sarnoff, 1960) or "an individual's disposition to respond favorably or unfavorably to an object, person, institution, or event, or to any other discriminate aspect of the individual's world" (Greenwald, 1989). Although stereotypes and attitudes are typically viewed as being under conscious control, social behaviors are often implicit or unconscious (Greenwald & Banaji, 1995). A stereotype is a socially shared view about particular members of a society that has a wide range of evaluative implication, while

attitude refers to a consistent evaluative response to its object (Greenwald & Banaji, 1995). Attitude has been defined as an individual's favorable or unfavorable evaluation of objects, persons, events, and other aspects of a person's universe (Greenwald, 1989), and its measurement is critical in social psychology and consumer behavior (Perkins et al., 2008). Greenwald and Banaji (1995) defined implicit self-esteem as "the introspectively identified (or inaccurately identified) effect of the self-attitude on evaluation of self-associated and self-dissociated objects" (p. 11). The self-esteem of individuals may affect their attitudes toward their ethnic group and patronage of businesses owned by people of the same ethnicity. Low self-esteem may lead to non-favorable attitudes toward and low legitimacy perceptions of one's own ethnic group. This may be the case with African American consumers, who seem to patronize preferentially non-African American owned businesses (Gregory, 1973). This is a problem for African Americans entrepreneurs and would-be entrepreneurs who have to overcome unfavorable attitudes and lack of legitimacy, as with new ventures and liabilities of newness (Stinchcombe, 1965) to be successful.

New ventures have to overcome the liabilities of newness that exist, because new ventures usually lack specific sets of resources and capacities that more established businesses have (Stinchcombe, 1965), which results in new ventures suffering disparately high failure rates (Hannan & Freeman, 1984). Morse, Fowler, and Lawrence (2007) explained the issues of liabilities of newness and how they affect new ventures in general. Their explanation may also apply to the problems facing African American entrepreneurs or would-be entrepreneurs in African American enclaves. First, new ventures must

develop extant routines because they lack established roles and systems. Second, new firms lack economic capital because they do not have the economic reserves or capacity of more established firms and are therefore more prone to financial problems. Third, they have to work to establish appropriate economic linkages, as mentioned earlier. Finally, there are issues of trust and legitimacy. New ventures have to rely on strangers and may be more susceptible to opportunism than older firms. Potential customers may be unwilling to conduct business with new firms. Without established trust relationships, these businesses may lack legitimacy in the eyes of consumers.

Legitimacy and trust are important to consumer ethnocentrism. There are two broad categories of legitimacy. Aldrich and Fiol (1994) studying the institutional context of industry creation in general referred to these as cognitive and sociopolitical legitimation. Cognitive legitimation (which some already established non-African American-owned ventures in African American enclaves enjoy) refer to when an activity (or type of business or business owner's ethnicity) becomes so familiar that consumers actually believe that they are knowledgeable users of the product or service. Sociopolitical legitimation refers to the process of acceptance of a venture by the general public as appropriate, given the existing norms. For example, if entrepreneurs from ethnicity A (representing non-ethnic entrepreneurs) own and operate a vast majority of a certain type of business in a certain ethnic enclave (e.g., an African American enclave), entry into that type of business becomes more difficult for entrepreneurs of other ethnicities because entrepreneurs from ethnicity A have established legitimacy with consumers, who have come to associate that type of business with them. Conversely, if

entrepreneurs of ethnicity B (representing ethnic entrepreneurs) have a history of high business failure in the same ethnic enclave, consumers are more likely to associate them with business failure and less likely to view them as legitimate. The first scenario in concert with the second can result in preferential patronage of non-co-ethnic businesses by ethnic consumers, and may be the case in African American enclaves.

Clark and Clark's (1947) doll experiment that showed that black children preferred playing with White dolls instead of Black dolls may be applicable to Black consumer preferential patronage of non-Black businesses in Black enclaves. Clark and Clark (1947) claimed that this behavior may be because black children tend to become more out-group oriented the more systematically they are exposed to White contact. However, a few other researchers for instance, Hraba and Grant (1970) have reported the just the opposite in certain circumstances for instance in an all Black environment. The work of McGuire, McGuire, Child, and Fujiota (1978) can be used to explain these contradictory findings. They suggested that ethnic affiliations and related behavior could differ according to the amount of ethnic heterogeneity of a given situation.

Cashdan (2001) also explained that while in-group favoritism or warfare against out-group is enhanced by competition and external threats. In-group favoritism typically occurs when in-group affiliation can counter competition and external threats. However, if the in-group is unable to counter warfare or external threats and competition, ethnic breakdown occurs. Cashdan (2001) posits that some societies lack warfare because they have been pacified, and that ethnic loyalty was much stronger in un-pacified societies even though pacification does not put an end to inter-ethnic competition. It has been

reported that colonialism increased ethnic competition. For instance, Poles have a strong ethnic solidarity and consumer ethnocentrism stemming from always having to fight for their identity because of Poland's long history of being colonized and oppressed, while Russians (although oppressed due to communism) are not as consumer ethnocentric and are more open to Western goods because Russia has always been the conqueror (Good & Huddleston, 1995).

African Americans have suffered through slavery, segregation, and oppression. Their pacification through desegregation, and affirmative action, among other public policies may, have resulted in their being less consumer ethnocentric and may explain their propensity to patronize non-African American-owned businesses despite continued discrimination. As was explained by Brewer (1999), "in the absence of realistic conflict and scarcity, neither strong in-group attachment nor out-group hostility would be expected (Brewer, 1999, p. 431). The perceived absence of an environment of scarcity and hostility in the present day United States may diminish African Americans' in-group affiliations and consumer ethnocentrism. This is a serious problem because the rate of African American entrepreneurship has remained disproportionately high for about 100 years, and African American owned businesses are more likely than white-owned ventures to fail (Farlie & Robb, 2007). The complexity of this problem is perhaps the reason why government policies aimed at revitalizing the urban economy are still targeted towards African American enclave businesses.

2.11 Chapter 2 Concluding Thoughts

I would argue that Clark and Clark's (1947) experiment, which shows a preference for White dolls by Black children is not an issue of Black self-hate, but one that encompasses both attitudes and perceptions of legitimacy. Perhaps Black businesses are not given a chance by consumers because of the negative stereotypes that people hold of Black people in general. Perhaps Black consumers have developed a negative stereotype of Black businesses because they are usually underfunded and small, and doomed to fail. Perhaps African Americans struggle with identifying with Black businesses for the same reasons, or perhaps society does not portray the African American business owner as serious or legitimate, or perhaps businesses owned by people of other ethnicities are portrayed as more legitimate than African American-owned businesses. Perhaps all these factors combine to limit Black entrepreneurship. These ideas and more will be further explored in the next chapter.

Chapter 3: Hypotheses

In this chapter, nine primary formal hypotheses focusing on attitudes, legitimacy, and patronage of new White and Black-owned businesses are developed. As discussed in Chapter 2, ethnic identity confers certain important business resources on ethnic enclave businesses. However, in order for businesses to enjoy the advantages that enclaves offer, co-ethnic consumers must have favorable attitudes toward them (Wilson & Portes, 1980). Attitudes are influenced by stereotypes that the co-ethnic consumers have of the businesses or the business owners (Greenwald & Banaji, 1995; Perkins, Forehand, Greenwald, & Maison, 2008) and the self-esteem of the consumer (Steinman & Karpinski, 2008). Consumers also have to perceive co-ethnic-owned businesses as legitimate. Just as with attitudes, stereotypes and self-esteem may influence consumers' perceptions of business legitimacy. As discussed in Chapter 2, negative stereotypes of Blacks tend to persist in the inner cities due to racial/ethnic segregation, unlike in the suburbs where there is more inter-racial interaction. This tends to affect consumers' perceptions of Blacks and Black-owned businesses within Black enclaves. Since consumers patronize co-ethnic-owned businesses that they perceive as legitimate (Morse & Fowler, 2007), and for whom they hold favorable attitudes toward, examining African consumer ethnocentrism through their attitudes toward and their legitimacy perceptions of co-ethnic-owned ventures will help explain the state of African American entrepreneurship.

Consumer ethnocentrism is often implicit or unconscious (Bargh, 2002; Greenwald & Banaji, 1995). Unconscious behaviors are heavily influenced by past experience, attitudes (favorable or unfavorable dispositions toward people, places, and policies), self-esteem, and stereotypes. Consumer ethnocentrism is an attitude-based phenomenon (Greenwald & Banaji, 1995; Perkins, Forehand, Greenwald, & Maison, 2008; Shankarmahesh, 2006; Shimp & Sharma, 1987). Favorable attitudes result in higher consumer ethnocentrism, while unfavorable attitudes result in lower consumer ethnocentrism (Shankarmahesh, 2006; Shimp & Sharma, 1987). As discussed earlier, African Americans exhibit lower levels of consumer ethnocentrism (Negy et al., 2003; Podoshen, 2008). That is to say, they tend not to be discriminatory or selective with regards to their patronage of businesses owned by non-African Americans. Negy et al. (2003) reported that Latino and White consumers exhibit higher levels of consumer ethnocentrism than do African American consumers. Moreover, research shows that African American consumers, unlike other ethnic groups tend to reduce their purchases from non-ethnics only during periods of racial strife or when being ethnocentric can be shown to be in the best interest of the Black community (Podoshen, 2008). As stated previously, stereotypes of a business owner's ethnicity and the self-esteem of the consumer affect attitudes toward and legitimacy perceptions of a business. These factors all inter-play to influence business patronage and consumer ethnocentrism.

3.1 Attitudes

As stated earlier, in social psychology, attitude was declared the most indispensable concept (Perkins et al., 2008). Several authors have defined attitude in different ways. For instance, attitude is defined as an inclination toward evaluation of a class of objects (Sarnoff, 1960) or a person's disposition to respond favorably or unfavorably to a thing, another person, place, or event (Greenwald, 1989), and its measurement is critical to consumer behavior (Perkins, Forehand, Greenwald, & Maison, 2008). Perkins et al., (2008) included the following authors' definitions in their study. For instance, Thurstone (1931), defined attitude as the affect for or against a psychological object, Doob (1947) said it is "an implicit drive-producing response considered socially significant in the individual's society" (Doob, 1947, p. 136), Smith, Bruner, and White (1956) called it "a predisposition to experience, to be motivated by, and to act toward, a class of objects in a predictable manner" (p. 33), while Osgood, Suci, and Tannebaum (1957) defined it as "predispositions to respond, but are distinguished from other such states of readiness in that they predispose toward an evaluative response" (Osgood, Suci, & Tannebaum, 1957, p. 189). All these definitions are similar and/or complementary and speak to ones favorable or unfavorable views of a person, place, thing, cultures, and even businesses. These viewpoints show how attitudes can influence behavior, including consumer behavior.

There are some similarities between the above definitions of attitude and Shimp and Sharma's (1987) definition of consumer ethnocentrism as an individual's predisposition toward purchasing what is considered acceptable or even moral to the in-

group (ethnic group). Although researchers have reported a weak correlation between attitude and behavior (e.g., Bagozzi, 1978), others like Glasman and Albarracin (2006) argue that attitudes indeed influence behavior, especially when the information the attitude is formed on is one sided, for instance, stereotypes. Consumers' favorable or unfavorable attitudes toward a specific ethnic group may determine their likelihood to patronize a business establishment owned by that ethnic group (Cummings, 1980; Light & Rosen, 1995; Wilson & Portes, 1980). Members of an ethnic group usually have a favorable attitude toward co-ethnic businesses; this may lead to higher levels of consumer ethnocentrism reported for most ethnic consumers (Quellet, 2007).

Businesses located within predominantly White and predominantly African American areas are likely to be perceived differently by consumers in these respective areas. This may be in part the reason for the state of African American entrepreneurship. Cummings (1999) reported a higher success rate for African American businesses that are located in the suburbs (predominantly White neighborhood). He attributes this to higher levels of disposable income in the predominantly White neighborhoods. Boston and Ross (1996) also reported higher profitability for African American businesses that are located in zip codes with middle income residents. Higher educational attainments (O'Malley & Bachman, 1979) and/or higher incomes of African Americans in the suburbs, may contribute to higher self-esteem and diminished negative stereotypes. Fairchild (2008) argues that negative stereotypes concerning African Americans persist when they live and work in segregated enclaves. William (1999), reported that while Whites hold a favorable view of themselves, 45% of Whites believe that Blacks are lazy,

56% believe that most Blacks are on Welfare, 29% believe that most Blacks are unintelligent, 51% believe that most Blacks are prone to violence, but only 17% believe that Blacks are hard working, 12% believe that Blacks are self-supporting, 15% believe that Blacks are not prone to violence, and 21% believe that Blacks are intelligent.

Greater interactions between Blacks and Whites may diminish these negative stereotypes, resulting in more favorable attitudes toward Blacks. This means that Whites that live and work with Blacks will have fewer negative stereotypes of Blacks and are more likely to patronize Black-owned businesses. This enhances African Americans' self-esteem and their views of themselves and/or their ethnicity and in turn results in higher consumer ethnocentrism. However, the African Americans that live and work in the African American enclaves continue to struggle with these unabated negative stereotypes that they take on (Sarnoff, 1960), and which affect their self-esteem and how they view themselves and their ethnicity. This results in not so favorable attitudes toward co-ethnic businesses and lower consumer ethnocentrism. Given the above, the following formal hypotheses are offered:

Hypothesis 1a: African Americans who reside in predominantly African American neighborhoods have less favorable attitudes toward new African American-owned businesses than those who reside in predominantly White neighborhoods.

Hypothesis 1b: Whites who reside in predominantly African American neighborhoods have less favorable attitudes toward new

African American-owned businesses than those who reside in predominantly White neighborhoods.

Hypothesis 1c: African Americans who reside in predominantly White neighborhoods have more favorable attitudes toward new African American-owned businesses than Whites who reside in predominantly White neighborhoods.

Hypothesis 1d: Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new African American-owned businesses than African Americans who reside in predominantly African American neighborhoods.

Hypothesis 2a: African Americans who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than those who reside in predominantly White neighborhoods.

Hypothesis 2b: Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods have equally favorable attitudes toward new White-owned businesses.

Hypothesis 2c: African Americans who reside in predominantly White neighborhoods have less favorable attitudes toward new White-owned businesses than Whites who reside in predominantly White neighborhoods.

Hypothesis 2d: Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new White-owned businesses than African Americans who reside in predominantly African American neighborhoods.

Hypothesis 3a: African Americans who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than new African American-owned businesses.

Hypothesis 3b: Whites who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than new African American-owned businesses.

Hypothesis 3c: African Americans who reside in predominantly White neighborhoods have equally favorable attitudes toward new White-owned and new African American-owned businesses.

Hypothesis 3d: Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new White-owned businesses than toward new African American-owned businesses.

3.2 Legitimacy

New businesses have to overcome the liabilities of newness (Stinchcombe, 1965) that exist because of the lack of specific sets of resources and capacities that more established businesses have. New ventures experience higher rates of failure than more established ones (Hannan & Freeman, 1984). Hannan and Freeman (1984) observed that new organizations have weak claims to sources of support and are highly vulnerable to environmental shocks, making them more prone to fail than established ones. Morse, Fowler, and Lawrence (2007), explained the issues of liabilities of newness and their effects new ventures in general. They stated that new ventures must develop extant routines because they lack established roles and systems, which can result in issues of trust and legitimacy. Aldrich and Fiol (1994) suggested that trust is a critical first-level determinant of business success and is an important factor in most social transactions, including business transactions in which there is uncertainty about actions and outcomes. Thus, new firms strive to achieve stability by establishing a trust relationship with customers and clients.

Consumers tend to be careful about what they buy and where they buy. Trust of a business establishment is important to consumers in their business patronage (Child & Mollering, 2003; Gounaris, 2005). According to Aldrich and Fiol (1994), trust is usually a prerequisite for voluntary participation in business exchange, and is usually a problem for new ventures that have not established a trust relationship with customers. Consumers are typically skeptical and are afraid of being taken advantage of by new or unfamiliar businesses.

Like trust, legitimacy is critical for diminishing the effects of the liabilities of newness. An entrepreneur's success ultimately depends on the entrepreneur's ability to gain customer support by achieving high levels of legitimacy (Zarkada-Fraser & Fraser, 2002). Aldrich and Fiol (1994) described two legitimacy processes: cognitive and sociopolitical legitimation. Cognitive legitimation refers to when an activity, type of business or business owner's ethnicity becomes so familiar that consumers actually believe that they are knowledgeable users of the product or service. Sociopolitical legitimation refers to the process of acceptance of a venture by the general public as appropriate, given the existing norms. Liabilities of newness can be reduced by improving consumers' perceptions of business legitimacy, which in turn increases business patronage (Aldrich & Fiol, 1994; Morse et al., 2007). Consumers' perception of legitimacy is central to business patronage. For instance, Korean merchants in African American neighborhoods specialize in five lines of business, including beauty supplies (Yoon, 1991). Due to their access to capital through intra-ethnic economic linkages and other sources, their beauty supply stores tend to be larger, stifling the growth of those owned by Blacks in Black neighborhoods (Lee, 2000). As Korean beauty supply stores increase in size and number, beauty supply shop ownership becomes associated with Koreans. Thus, people in Black neighborhoods are more likely to patronize beauty shops owned by Koreans because they are viewed as more legitimate than those owned by Blacks. Perhaps African American consumers view Koreans as having greater expertise in the beauty supply business and/or have come to trust Korean beauty store owners and their products more than they trust co-ethnics owners and their products.

Trust contributes to ethnic bonds and ethnic solidarity, which help ethnic enclave entrepreneurs to access important business resources, market penetration, tight-knit financial and social networks, and loyalty (Light & Rosenstein, 1995). Cummings (1980) stated that ethnic solidarity or ethnocentrism promotes a collective approach to business development. In other words, the success of ethnic enclave businesses highly depends on the degree of consumer ethnocentrism exhibited by co-ethnics, which is driven by their perception of co-ethnic business legitimacy. There is research that shows an impressive success record for enclave entrepreneurship (Cummings, 1980; Light & Rosen, 1995; Wilson & Portes, 1980). For instance, Wilson and Portes (1980) reported high entrepreneurial success rates in Little Havana due to high consumer ethnocentrism. This in turn increased the rate of business ownership in Little Havana because Cuban immigrants who worked for Cuban immigrant entrepreneurs in a Cuban enclave in Miami were mentored into starting their own businesses. Hence, they fared better than Cuban immigrants that worked in similar non-Cuban enterprises. In Los Angeles County in 1941, about 75% to 90% of farmland that produced some 20 selected crops was owned and tilled by Japanese immigrants (Model, 1985). This type of bond has been credited for the low unemployment rates among Japanese and Chinese people in Asian enclaves during the Depression (Light, 1972).

While for other ethnic enclave entrepreneurs, having a concentrated trusting customer base of co-ethnic consumers, who view them as legitimate allows enclave entrepreneurs to grow at a quicker rate than entrepreneurs in the wider market (Cummings, 1999; Waldinger, 1983), the lower rates of entrepreneurship and the higher

rate of failure among African American entrepreneurs suggest that they do not enjoy the same perception of legitimacy by co-ethnic consumers as do other ethnic groups.

Legitimacy or “street credibility” is a recognized point of reference in African American enclaves, and it carries the power of believability and authenticity and is largely based on an individual’s reputation (Podoshen, 2008). Morse et al. (2007) explained that lack of established systems and roles and extant routines results in consumers not perceiving African American enclave entrepreneurs or would-be entrepreneurs as legitimate. Some researchers refer to this as lack of Black business tradition (e.g., Bristol, 2004). African American enclave consumers have come to associate certain types of businesses with non-African American entrepreneurs, such that it has become very hard for African American entrepreneurs to enter, thrive in, or be successful. Because of the perceived lack of legitimacy (at least from the consumers’ point of view), African American enclave businesses face tougher challenges to overcome the liabilities of newness than African American businesses in the suburbs or new businesses in general.

Again, for the same reasons that stereotypes and self-esteem impact attitudes, it seems that African American consumers in predominantly White neighborhoods perceive businesses owned by co-ethnics as more legitimate than do those in predominantly African American neighborhoods. This is consistent with Cummings (1999), who found that African American entrepreneurs in the White neighborhoods performed better than those in Black neighborhoods. Their suburban location confers on African American-owned businesses the legitimacy needed to thrive and succeed. As with attitudes, less segregation, as seen in the suburbs, helps reduce the negative stereotypes that Whites

have of Blacks. Whites in mixed neighborhoods are more likely than Whites that live in segregation to patronize Black-owned firms because of diminished negative stereotypes through interacting with Blacks. The legitimacy of these Black-owned firms is enhanced by White patronage. African American-owned businesses in the suburbs tend to have more access to capital, which makes them able to compete in the wider market (Cummings, 1999). This makes suburban African American consumers and consumers of other ethnicities view African American-owned firms located in the suburbs as legitimate. Moreover, suburban Whites and Blacks are more likely to perceive Black-owned businesses in the suburbs as legitimate because these suburbanites, who are usually middle to upper class, view their neighbors as having about the same educational attainments and income levels. Therefore, Black-owned suburban businesses are more likely to be viewed as legitimate.

In contrast, enclave African American-owned businesses are usually small, undercapitalized, and prone to failure (Cummings, 1999; Fairlie & Robb, 2007). The higher failure rate of African American-owned businesses, especially in the enclaves, compared to White-owned businesses helps propagate negative stereotypes people have of African Americans and diminishes the legitimacy perception of African American-owned businesses. In addition, since Blacks and Whites in the inner-cities live in racially/ethnically segregated neighborhoods, Black and White interactions are limited therefore negative stereotypes of Blacks continue unchecked. These negative stereotypes affect how Whites perceive Black people and the legitimacy of Black-owned businesses. Blacks being minorities, consciously or unconsciously tend to take on these negative

stereotypes (Sarnoff, 1960), leading to inner city, Blacks perceiving co-ethnic owned businesses as less legitimate than White-owned businesses. This discussion results in the following hypotheses:

Hypothesis 4a: African Americans who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than those who reside in predominantly White neighborhoods.

Hypothesis 4b: Whites who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than Whites who reside in predominantly White neighborhoods.

Hypothesis 4c: African Americans who reside in predominantly White neighborhoods perceive new African American-owned businesses as more legitimate than Whites who reside in predominantly White neighborhoods.

Hypothesis 4d: Whites who reside in predominantly White neighborhoods perceive new African American-owned businesses as more legitimate than African Americans who reside in predominantly African American neighborhoods.

Hypothesis 5a: African Americans who reside in predominantly African American neighborhoods perceive new White-owned

businesses as more legitimate than those who reside in predominantly White neighborhoods.

Hypothesis 5b: Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods equally perceive new White-owned businesses as legitimate.

Hypothesis 5c: African Americans who reside in predominantly White neighborhoods and those who reside in predominantly White neighborhoods equally perceive new White-owned businesses as legitimate.

Hypothesis 5d: Whites who reside in predominantly White neighborhoods perceive new White-owned businesses than as more legitimate than African Americans who reside in predominantly African American neighborhoods.

Hypothesis 6a: African Americans who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than new White-owned businesses.

Hypothesis 6b: Whites who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than new White-owned businesses.

Hypothesis 6c: African Americans who reside in predominantly White neighborhoods perceive new African American-owned and new White-owned businesses as equally legitimate.

Hypothesis 6d: Whites who reside in predominantly White neighborhoods perceive new African American-owned businesses as less legitimate than White-owned businesses.

3.3 Intended Patronage

Ultimately, attitudes and legitimacy will impact patronage. It is unlikely that consumers will patronize businesses that they do not trust or perceive as legitimate, or those that they have unfavorable attitudes toward. As discussed earlier, in the inner-city, negative stereotypes of the business owner and low self-esteem of the African American consumer may affect both their attitudes toward and their perception of legitimacy of African American-owned businesses. However, African American entrepreneurs in the suburbs do not seem to suffer these low patronage levels by co-ethnics or others. According to Cummings (1999), African American owned-businesses in the suburbs fared better than those in African American enclaves. Cummings (1999) stopped short of recommending that African American entrepreneurs establish and conduct business outside the African American enclaves. Cummings (1999) mentioned that urban enclave markets are more limited than the broader markets within the economy and that this is a possible reason African American owned businesses in the African American enclaves fail or do not perform as well as those outside the enclave. I believe that less than

favorable consumers' attitudes and low perception of legitimacy of African American-owned businesses in the enclaves due to negative stereotypes may have contributed to Cumming's (1999) findings. (2008) reported that negative stereotypes about Blacks are perpetuated when they are limited to their enclaves. This may result in worse outcomes for Blacks and Black-owned businesses in enclaves. These unabated negative stereotypes may lead to lower consumer ethnocentrism for African Americans in the enclaves, and may the lack of it may help explain why non-African American owned businesses often do better than African American-owned businesses in African American enclaves or why enclave enterprises in other urban ethnic enclaves have higher success rates.

Boston and Ross (1996) found that in general African American-owned businesses located in the lowest income areas (usually in the inner city) and the very highest income areas tended to be the least profitable. However, those located in the middle to upper middle income class areas (the suburbs) performed much better. Education, living, and working with Whites and other ethnic groups may help diminish stereotypes Blacks hold of themselves and other ethnic groups and those other ethnic groups hold of Blacks. Good and Huddleston (1995) reported that less educated Polish consumers were usually more ethnocentric than the more educated ones. However, in the case of the African American consumer, it seems that less educated consumers are less ethnocentric. Perhaps because Poland is not as ethnically diverse as the United States, ethnic enclaves and stereotypes do not really matter.

African American consumers in the suburbs are generally better educated than those in the enclaves and seem to understand better the importance of patronizing co-

ethnic owned businesses. Suburban African Americans are more likely than inner city African Americans to view African American-owned businesses as legitimate, or have more favorable attitudes toward them, and are then more likely to patronize them. Suburban Blacks are more likely to live and work with other ethnic groups. Fairchild (2008) reported that negative stereotypes about Blacks are reduced when they live and work with Whites and other ethnic groups. Moreover, suburbanites are more likely to see themselves as sharing the same interests as their neighbors, and they also see themselves as having similar incomes and education (Tallman & Morgner, 1970). Diminished negative stereotypes and higher self-esteem, perhaps due to higher educational attainment and higher incomes of the African American consumers and entrepreneurs in the suburbs, will increase the likelihood of business patronage. Conversely, Whites in predominantly Black neighborhoods, who also live in racially/ethnically segregated neighborhoods are more likely than those predominantly White or racially mixed neighborhoods to hold negative stereotypes of Blacks, have less favorable views of Black business owners, and are less likely to patronize Black-owned businesses. As earlier mentioned, because of segregation, negative stereotypes persist and enclave Blacks take on those negative stereotypes about themselves and therefore are less likely than suburban Blacks to patronize Black-owned businesses. Thus, the author hypothesizes that,

Hypothesis 7a: African Americans who reside in predominantly African American neighborhoods are less likely to patronize new African American-owned businesses than who reside in predominantly White neighborhoods.

- Hypothesis 7b:** Whites who reside in predominantly African American neighborhoods are less likely to patronize new African American-owned businesses than those who reside in predominantly White neighborhoods.
- Hypothesis 7c:** African Americans who reside in predominantly White neighborhoods are more likely to patronize new African American-owned businesses than Whites who reside in predominantly White neighborhoods.
- Hypothesis 7d:** Whites who reside in predominantly White neighborhoods are more likely to patronize new African American-owned businesses than African Americans who reside in predominantly African American neighborhoods.
- Hypothesis 8a:** African Americans who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than those who reside in predominantly White neighborhoods.
- Hypothesis 8b:** Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods are equally likely to patronize new White-owned businesses.
- Hypothesis 8c:** African Americans who reside in predominantly White neighborhoods and Whites who reside in predominantly

White neighborhoods are equally likely to patronize new White-owned businesses.

Hypothesis 8d: Whites who reside in predominantly White neighborhoods are more likely to patronize new White-owned businesses than African Americans who reside in predominantly African American neighborhoods.

Hypothesis 9a: African Americans who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.

Hypothesis 9b: Whites who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.

Hypothesis 9c: African Americans who reside in predominantly White neighborhoods are likely to patronize equally new White-owned businesses and new African American-owned businesses.

Hypothesis 9d: Whites who reside in predominantly White neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.

The discussion in the next chapter details the methodology that was utilized to test these hypotheses. This included details about the survey questionnaire, the survey sample, the study group, the survey questionnaire development, the pilot study, the survey procedure, the variables used, and finally, the statistical methods that was employed in the analyses

Chapter 4: Research Methods

This chapter describes how the 36 hypotheses were tested. It describes the survey questionnaire, how it was developed, the rationale for the chosen sample, the variables that were used in the analyses, and the statistical methods that were employed.

4.1 Survey Questionnaire

The data for this dissertation was collected by a survey questionnaire that was filled out by participants at the time the survey was handed to them. The survey was pretested to check for appropriateness of the questions and the chosen sample. Full copies of the two sets of the final survey used in this research are attached in Appendix A and B. In order to test all 9 hypotheses in this study, a variety of questions were utilized. This questionnaire consisted of 5 subscales that were adapted from General Social Survey (GSS) questions, as well as questionnaires utilized by Newells and Goldsmith (2001), Maxham and Netemeyer (2002), Sweeney and Soutar (2001), Luhtanen and Crocker (1992), Heatherton and Polivy (1991) that were designed to measure legitimacy, attitudes, patronage, and self-esteem (see Appendix C).

Although the reliability of these subscales has been established previously, a pilot test was used to establish the reliability of the total survey. Personal demographic questions for the participants were used to gather demographic information about the participants (age, race, gender, education, income levels, etc.). These are contained on questions 28-34.

There were two versions of the survey questionnaire. Both versions were exactly the same except that one set had a picture of a White man, while the other had a picture of a Black man. Each set of questionnaires consisted of the same short biographical information of the entrepreneur represented either by a Black man or a White man. The participants were then asked to respond to the ensuing questions keeping in mind the biographical information that was given about the entrepreneur. This design is similar to that used in previous ethnicity based research (e.g., Clark & Clark, 1947; Hraba & Grant, 1970). A total of about 100 of each of the two sets of questionnaires were administered at different times to Black subjects in predominantly African American neighborhoods. This was repeated for Black subjects in predominantly White neighborhood. The researcher had some challenges in obtaining data from White subjects in predominantly African American neighborhoods. However, about 400 White participants in predominantly White neighborhoods were enrolled for the study. Complete confidentiality was assured and the respondents were able to complete the survey within ten minutes. Completeness of the responses was also checked.

4.2 Survey Sample

As stated above, there were four different population groups were sampled for this study. Participants in the current research were a total of 846 Black and White adults. Subjects were recruited from two main sources; predominantly White and predominantly African American neighborhoods. Participants were considered appropriate, since this research is a theory based test on the differences in consumer perceptions of a business

based on the owner's ethnicity and location, (see Adams, 1992; Darden & Kamel, 2000; Tallman & Morgner, 1970; Williams, 2001).

Participants in the first study group were African American adults at a mall and a doctor's office in an African American enclave. The survey was administered randomly to customers at the mall and the doctor's office. The survey instrument and data collection were open for two calendar months (52 total days) during the months of December 2010 and January 2011. The survey participants were informed that their participation was for research and analysis only. Complete confidentiality was assured and the survey was completed within ten minutes. Completeness of the responses was verified.

This process was repeated for African Americans and Whites in predominantly White neighborhoods.

The choice of this sample is primarily for three reasons:

1. To better understand the state of African American entrepreneurship, from the consumers' perspectives, especially within the African American enclaves. Although the dearth in African American entrepreneurship has been of interest to entrepreneurship scholars, most have concentrated on the entrepreneur and the entrepreneur's circumstances. For example, some researchers have examined entrepreneurs' finances (e.g., Bates, 1997; Evans & Leighton, 1987; Fairlie, 1999), while others have looked at educational attainments (e.g., Fairlie, 2004; Hisrich & Peters, 2002; Singh et al., 2007; Scarborough & Zimmerer, 2005), some others have looked at

lack of business tradition (Fairlie, 2004), while others have investigated the role of the family (Fairlie & Robb, 2007; Hout & Rosen, 2000; Singh et al., 2007) in African American entrepreneurship. However, this research is unique in that the focus is away from the entrepreneurs, their attributes, and/or situations. It focuses on the consumers and their perceptions of the entrepreneur.

2. The importance of new entrepreneurial ventures in general to rejuvenating an economy and in job creation, especially in economic recessions. New venture formation and job creation are currently debate topics in the U.S. In addition, entrepreneurship scholars and journal reviewers have an interest in this sample because new venture foundation is impacted by consumers' perceptions of the new ventures.
3. A strong interest in African American entrepreneurship and my current vocation as an African American entrepreneur provides the opportunity to obtain good response rate from sample population and to combine practical insight with theory.

To summarize, a sample of participants were selected to represent Whites and African Americans in both predominantly African American and White neighborhoods. By concentrating on their views of businesses based on the business owner's ethnicity, we are able to study the relationships between business patronage and perceptions of legitimacy and attitudes of consumers. Although very sparsely researched, consumer perceptions and behaviors should be central issues in the study of entrepreneurship.

4.3 Survey Questionnaire Development

An initial survey questionnaire was developed after an extensive literature review.

The questionnaire was designed based on these factors:

1. Determination of data necessary for testing the stated hypotheses
2. A review of various questionnaire construction procedures and techniques
3. Intellectual contributions from my dissertation committee, all of whom have extensive expertise in questionnaire development.
4. Pilot-test of the survey questionnaire.

A 34-question survey instrument was eventually constructed for a pilot study.

The survey instrument included several 5-point Likert-type scales and some numerical data inputs. Likert scales were chosen in order to simplify survey instrument construction and enhance participants' abilities to respond to the questions. Likert scales have been used in several other studies of this nature, and have been shown to be valid and reliable (e.g., Balabanis & Diamantopoulos, 2004; Durvasula et al, 1991; Good & Huddleston, 1995; Neuliep et al., 1997; Shimp & Sharma 1987)

4.4 Pilot Study

The aim of the pilot study was to evaluate feedback concerning the appropriateness of the sample, the questionnaire format, directions, and content. The researcher administered the survey to a convenience sample of about 100 individuals that did not participate in the actual study. Each participant was asked to complete the questionnaire,

and then interviewed after taking the survey. After completing the questionnaire, pilot study participants were asked the following:

1. Which questions they found the easiest or the hardest to understand.
2. If there are any instructions that were confusing.
3. If there were any difficulties in understanding terminologies used in the survey or in the instructions.
4. Finally, for any suggestions to improve the survey.

Based on the feedback from the researcher's dissertation committee and the pilot study results, the survey was revised as needed.

4.5 Survey Procedure

The researcher contacted the pastors of the churches to be used in the study to obtain permission for survey distribution. Each pastor informed his or her congregation about the study emphasizing that it was voluntary. Participants were given an instruction page describing the study along with the survey between December 2010 and January 2011. Subjects were asked to fill out all items on the survey.

Since this study involved human subjects, the protocol for this study was submitted for approval by the Institutional Review Board (IRB) at Morgan State University in Baltimore, Maryland. The specific protocol and approval is included in Appendix D.

4.6 Variables for the Statistical Analyses

The following is a list of all variables that were used in the statistical analyses.

AGE — This variable is the age of the respondent in years. It was taken directly from the survey (question 30).

EDUCATION — This is the highest education level attained by the respondent. It was taken directly from the survey (question 33). The values were based on interval scale of education level, from 1=Some High School (No Diploma) to 6=Graduate Degree.

GENDER — This was a dummy variable representing the gender of the participant. It was taken directly from the survey (question 29). The variable was coded “0” for male and “1” for female.

IMMIGRANT — This was a dummy coded variable of whether the participant was an immigrant or not. This was taken directly from the survey (question 32). Participants who were immigrants will be coded as “1,” while non-immigrants will be coded as “0.”

RACE/ETHNICITY — This variable identifies the race/ethnicity of the respondent. This was also taken directly from the survey (question 31). Hispanics were coded as “1”, Asian (not Indian sub-continental) were coded as “5”, Black/African American were coded as “2”, Indian sub-continental were coded as “6” White were coded as “3”, Native American were coded as “7”, and “Other” were coded as “4.”

ZIP CODE — This variable identifies the area of residence of the respondents. This was a dummy coded variable of whether the respondent resides in predominantly African American neighborhoods or predominantly White neighborhoods. This was also taken directly from the survey (question 28).

LEGITIMACY — This variable was calculated by adding up the responses for questions 1 to 9. These were 5 point Likert-type questions. The minimum score was 9 and the maximum score was 45.

PATRONAGE — The variable was calculated by adding up the responses for questions 10 and 11. These were also 5 point Likert-type questions. The minimum score was 2 and the maximum score was 10.

ATTITUDES — This variable was calculated by adding up the responses for questions 12 to 17. These questions were 5 point Likert-type questions. For this variable, the minimum score was 6 and the maximum score was 30.

SELF-ESTEEM — This variable was calculated from adding up the responses for questions 18 to 27. These questions are also 5 point Likert-type. For this variable, the minimum score was 10 and the maximum score was 50.

4.7 Statistical Method

Data was analyzed using SPSS Version 18. Prior to data analysis, the data was cleaned and data files were constructed. Missing data and exploratory analysis detected potential outliers and data collection errors. Standard descriptive statistics (mean, median, standard deviation, frequency, and distribution of responses were used to describe all key variables and to determine how responses differ by study group characteristics. The data was subjected to initial bivariate correlation analysis to estimate the effects of sample characteristics such as age, education, gender, ethnicity, and area of residence on their individual responses.

A key feature of this survey approach is that each survey was coded to indicate both the respondent's ethnicity and area (predominantly Black or predominantly White) in which the respondent lives and/or worships. Therefore, responses of the participants in each study group were aggregated or averaged, to obtain group level measures. An analytic file was constructed from group level data derived from the surveys. Regression analyses were performed to analyze relationships between aggregate legitimacy scale, aggregate attitude scale, aggregate self-esteem Scale on patronage. Finally, a *t*-test was used to determine if there were differences in mean scores between the study groups with regards to perception of legitimacy, attitudes, self-esteem, and patronage.

Chapter 5: Empirical Results: Tests of Hypotheses

5.1 Overview

Chapter 5 describes the data collection and characteristics of the respondent sample. It provides general demographic information about the sample. In addition, this chapter details the results of the statistical analyses used to test the hypotheses developed in Chapter 3. The initial sections describe the data collection process and basic assumptions for the statistical analyses. Next, the demographic characteristics of the sample and its associated groups are discussed. This is followed by a discussion of scale development and examinations for reliability. The next section examines the relationships between the key constructs used in the theoretical model for this study. This chapter concludes with hypothesis testing to answer the following research questions.

1. Are there differences between African American consumers' perceptions of African American-owned businesses and their perceptions of White-owned by businesses? If there are differences, do they vary by location (i.e., linked to predominantly White neighborhoods vs. predominantly African American neighborhoods)?
2. Do White consumers have similar perceptions? Do these perceptions vary by location?

3. Are there differences between White consumers' perceptions of White-owned businesses and Black consumers' perceptions of African American-owned business and if so, are there variations by location.
4. If there are differences in the above, what are the causes and impacts of consumer ethnocentrism on African American businesses?

5.2 Data Collection

Four different population groups were randomly sampled for this study. A total of 846 participants were recruited from two main sources, predominantly African American neighborhoods and predominantly White neighborhoods. Four categories of participants were recruited for this study, African Americans and Whites residing in predominantly African American neighborhoods; and African Americans and Whites residing in predominantly White neighborhoods. The participant's neighborhood was defined using their zip code to examine race predominance from Census Data for 2010. Most of the participants were recruited at malls in both predominantly African American and White neighborhoods. About 10% of respondents in the predominantly African American neighborhoods were recruited from a physician's office and about 20% of the participants in predominantly White neighborhoods were recruited from churches.

The participants were randomly selected and were asked to voluntarily complete the survey questionnaires. The participants from the churches and physician's office were asked to voluntarily participate through direct contact with the pastors of the churches and the physician respectively. The same researcher collected the data in all cases.

Complete confidentiality was assured at all times and the surveys were generally completed within ten minutes. Completeness of the responses was also assessed when survey was returned. Returned surveys were examined for trends in missingness and no recurring issues were identified.

Data was collected from mid-December 2010 to the end of January 2011. Some challenges were encountered with data collection. For instance, it was difficult to recruit Whites that lived in predominantly African American neighborhood. In general, it is not usual to find a significant population of Whites in predominantly African American neighborhoods. Nevertheless, the researcher attempted many times to recruit these White participants from this group, but they were either not available or not accessible. Most individuals within this group, approached by the researcher were unwilling to participate in the study. Even with extra efforts to collect data from White respondents living in predominantly African American neighborhoods, just 19 surveys were collected from this group.

Overall, the response rate was much better for the other categories of participants. Most individuals who were asked to participate in the study did. However, because, most participants were recruited at the malls, some people were wary of being approached by a total stranger. Some asked if the researcher was an insurance salesman or a salesman of some sort. Some individuals, who initially refused to talk, later asked if they could participate when they saw others completing the survey.

5.3 Data Cleaning

Prior to data analysis, the data was cleaned and data files were constructed. Missing data was evaluated and all variables had less than 5% missing data, with level of income having the most missing (3.7%). Exploratory analysis was used to detect potential outliers and data collection errors. Standard descriptive statistics (mean, median, standard deviation, frequency, and distribution of responses) were used to describe all key variables and to determine if responses differed by race/ethnicity and/or neighborhood type.

5.4 Demographic Data

In this cross-sectional study exploring the impact of consumer perceptions on African American-owned and White-owned businesses, there were a total of 846 participants. Table 1 summarizes the demographic characteristics of the respondent sample. The mean age of the participants was 40 years. Most participants were female (58%). African American participants constituted the largest percent of the sample (49.2%), followed by White participants (39.2%), and others (10.7%). Most participants had attended some college (33%), while 25.3% had a high school diploma or less. About one-third of the participants reported an annual income >\$75,000 (33.4%).

Table 1: Participant Demographic Characteristics, N= 846*

	<i>Mean/SD</i>	<i>Range</i>
Age (years)	39.5/17.3	18-99
	<i>Frequency</i>	<i>Percent</i>
Gender		
Female	487	58.0
Male	353	42.0
Race/Ethnicity		
Black	416	49.2
White	332	39.2
Others	91	10.7
Education		
< than HS diploma	38	4.5
HS Diploma	157	18.8
Some College	276	33.0
BS Degree	169	20.2
Some graduate	44	5.3
Graduate degree	152	18.2
Income		
< \$25, 000	161	19.9
\$25,000- \$49, 999	202	24.9
\$50,000-74,999	177	21.8
>\$75,000	271	33.4

*Note: Source: Ogbolu Dissertation Data.sav, *N varies due to missing data*

Since the study was implemented in both predominantly African American neighborhoods and predominantly White neighborhoods, the demographic data was

further analyzed to compare the participants by neighborhood (see table 2). The distribution of participants was similar in gender and race by neighborhood. However, participants from predominantly Black neighborhoods had significantly lower education and income than participants from the predominantly White neighborhoods.

Table 2: Characteristics of Survey Participants by Location, N=846*

	Predominantly Black Neighborhood N=214	Predominantly White Neighborhood N=598
	<i>Frequency (Percent)</i>	<i>Frequency (Percent)</i>
Gender		
Female	77 (36)	259 (43.2)
Male	137 (64)	339 (56.5)
Race/Ethnicity		
Black	180 (84.1)	227 (37.8)
White	19 (8.9)	279 (49.5)
Others	14 (6.7)	74 (12.4)
Education		
< than HS diploma	22 (10.3)	15 (2.5)
HS Diploma	53 (24.8)	98 (16.3)
Some College	70 (32.7)	196 (32.7)
BS Degree	27 (12.6)	135 (22.5)
Some graduate	14 (6.5)	30 (5.0)
Graduate degree	27 (12.6)	121 (20.2)
Income		
< \$25, 000	66 (30.8)	90 (15.0)
\$25,000- \$49, 999	61 (28.5)	138 (23.0)
\$50,000-74,999	42 (19.6)	131 (21.8)
>\$75, 000	46 (18.7)	220 (36.7)

Source: Ogbolu Dissertation Data.sav *N varies due to missing data

5.5 Sample Limitations

As discussed earlier, a total of 846 individuals participated in this study. This sample was split into groups by racial predominance of the neighborhood based on 2010 US Census Data. Once participants were separated by groups, it was noted that there were significantly fewer White people living in African American neighborhoods within the sample. The sample components after separation resulted in nearly 200 African Americans participants in both predominantly White and predominantly African American neighborhoods. There were 400 White participants from predominantly White neighborhoods, but only 19 Whites who resided in African American neighborhoods. Therefore, some caution is advised when interpreting results of hypotheses which compare White participants in predominantly African American neighborhoods to any other subgroup of participants.

5.6 Methods and Assumptions

The data was analyzed using SPSS Version 18. The hypotheses in this study focused on examining differences among the various groups. Multiple linear regression was used to examine the theoretical relationships between the concepts of legitimacy, attitude, self-esteem, on patronage, which were discussed in the earlier literature review. Several assumptions need to be considered when using multiple linear regression analyses including:

- The variable types were appropriate. All predictors, independent variables, must were either quantitative or categorical with two categories. The outcome variable must be continuous and quantitative.

- Secondly, the predictors should have some variation in value, meaning the variance should not be zero.
- There should be low multicollinearity between predictors, meaning the correlations between the predictors should be less than 0.8. (Fields, 2007).
- Predictors should be uncorrelated with other external variables which are not in the model; therefore, all variables that were significant were entered into the models.
- The variance of residuals should be constant at each level of the predictor variable- homoscedasticity.
- The relationship being modeled was linear and based on normally distributed data, using the central limit theory.

In addition, an independent *t*-test was used to determine whether mean differences existed based on race/ethnicity and/or neighborhood type. This analytical procedure is a parametric test that is based on normal distribution. Therefore, it is assumed that:

- The data are from normally distributed populations
- The data are measured at least at the interval level
- For the independent *t*-test, it is also assumed that the variances in these populations are roughly equal (homogeneity of variance)
- Finally, scores must be independent, meaning that respondent answered their questions independently.

These assumptions were carefully checked and considered with all of the following statistical analyses. Several of the independent *t*-test, did not have homogeneity of variance and the *t*-test was read based on equal variances not assumed.

5.7 Scale Development and Reliability

To examine consumer perception several scales were used in this study. The attitude, legitimacy, patronage, and collective self esteem scales were discussed earlier in the multidisciplinary literature review (see Table 3). All of the scales have demonstrated good reliability and validity, and have been used extensively in prior studies. However, for this study reliability was re-examined for this sample of participants and all scales demonstrated good reliability with Cronbach's alphas between 0.66-0.88.

Table 3: Consumer Perception Scales: Reliability, Mean and Ranges

	No. Items	α	M/SD (range)
Attitude Scale	6	0.82	23.1/3.8 (6-30)
I expect Keith will still be in business in 5 years.			3.3/1.0
I hope Keith is successful.			4.6/0.6
Keith seems like an interesting person.			3.8/0.9
Keith is a good role model for children in my neighborhood.			3.6/0.9
I would probably enjoy socializing with Keith.			3.5/0.9
If he is successful, people in my neighborhood are more likely to have a good impression of him			4.1/0.9
Legitimacy Scale	9	0.88	30.2/6.1 (9-45)
Keith is prepared to start the business			3.5/1.0
Keith has the background to be a successful entrepreneur.			3.4/1.0
Keith has the appropriate experience to get the bank loan.			3.1/1.0
Keith knows how much he needs to invest in the business.			3.1/1.1
I would not expect any problems with Keith's restaurant.			2.8/1.1
The idea of Keith opening a restaurant in the area is appealing.			3.7/0.9
Keith's restaurant would perform well near my home.			3.3/1.0
Keith's restaurant would be well received by me			3.6/0.9
Keith's restaurant would be well received by people in my neighborhood.			3.5/0.9
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
Collective Self Esteem	10	0.66	39.1/4.7 (17-50)
The ethnic group I belong to is unimportant to What kind of person I am.			3.8/1.4
In general, the ethnic group that I belong to is an important part of my self-image.			3.5/1.3
In general people respect my ethnic group.			3.5/1.1
I wish people could have more respect for my ethnic group.			3.7/1.1
I am proud of my ethnicity.			4.5/0.8
On the whole, I am satisfied with myself.			4.4/0.8
I feel confident about my abilities.			4.5/0.7
I am worried about whether I am regarded as a success or failure.			2.9/1.4
I feel others respect and admire me.			4.0/0.8
I feel as smart as others			4.2/0.9

Source: Data Source: Ogbolu Dissertation Data

5.8 Bivariate Analyses- Correlations

Table 4 details the results of descriptive statistics and correlations among the various key variables used in the study.

Table 4: Descriptive Statistics and Correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Attitude	24.1 ^a	4.7 ^a	1.00 ^a									
	22.0 ^b	3.7	1.00									
2. Legitimacy	31.6 ^a	5.8 ^a	.600****	1.00 ^a								
	38.8 ^b	6.2 ^b	.710****	1.00 ^b								
3. Patronage	8.7 ^a	1.2 ^a	.463****	.459****	1.00 ^a							
	8.2 ^b	1.5 ^b	.475****	.475****	1.00 ^b							
4. Collective Self-esteem	39.2 ^a	4.7 ^a	.303****	.213****	.157****	1.00 ^a						
	38.9 ^b	4.7 ^b	.331****	.312****	.092 ^b	1.00 ^b						
5. Age	38.9 ^a	17.2 ^a	.089 ^a	.035 ^a	-.050 ^a	.159****	1.00 ^a					
	40.2 ^b	17.4 ^b	.052	.085 ^b	-.067 ^b	.167****	1.00 ^b					
6. Gender	N/A ^a	N/A ^a	-.020 ^a	.036 ^a	.036 ^a	-.031 ^a	-.008 ^a	1.00 ^a				
	N/A ^b	N/A ^b	.005	-.045 ^b	-.010 ^b	.031 ^b	-.027 ^b	1.00 ^b				
7. Income (High vs. Low)	N/A ^a	N/A ^a	-.054 ^a	-	-.036 ^a	-.027 ^a	.157****	.033 ^a	1.00 ^a			
	N/A ^b	N/A ^b	-.157****	.172****	-.060 ^b	.002 ^b	.145****	.009 ^b	1.00 ^b			
				.167 ^b								
8. Education (Low vs. High)	N/A ^a	N/A ^a	.100 ^a	.183****	.119****	.033 ^a	.031 ^a	.080 ^a	-.336****	1.00 ^a		
	N/A ^b	N/A ^b	.173****	.241****	.016 ^b	-.009 ^b	.072 ^b	.104 ^{ab}	-.328****	1.00 ^b		
9. Race (African American/White)	N/A ^a	N/A ^a	.058 ^a	.001 ^a	.001 ^a	.380****	.270****	-.049 ^a	.026 ^a	.000 ^a	1.00 ^a	
	N/A ^b	N/A ^b	.089	-.124 ^b	-.124 ^b	.311****	.257****	-.144 ^b	.009 ^b	.104 ^{ab}	1.00 ^b	
10. Neighborhood (African American/White)	N/A ^a	N/A ^a	-.053 ^a	-.042 ^a	.034 ^a	-.238****	-.208****	.049 ^a	.142****	-.105 ^a	-.436****	1.00 ^a
	N/A ^b	N/A ^b	.010 ^b	-.061 ^b	.131****	.006 ^b	-.194****	.029 ^b	.240****	-.236****	-.416****	1.00 ^b

^a New African American-owned businesses

^b New White-owned businesses

N/A - because variable is a dummy coded variable

* p < .05 ** p < .01 *** p < .001

5.9 Regression

In order to further understand the relationships between the key constructs and key demographic variables, a series of regression analyses were performed.

5.9.1 Model Testing

The theoretical model used in this study proposed that legitimacy and attitude were related to patronage. A multiple linear regression model was done to examine whether legitimacy and attitude predicted patronage intentions. As depicted in Table 5, attitude scale had the strongest relationship ($\beta = .48, p < .001$). This was a significant,

positive relationship, therefore, as attitude scores increased, the patronage scores also increased ($b = .18$, $t = 9.0$, $p < .001$). Legitimacy also had a significant relationship to patronage intentions ($\beta = .21$, $p < .001$). In this sample, the patronage score increased as legitimacy scores increased ($b = .048$, $t = 3.8$, $p < .001$). The multiple regression model was significant ($F = 139.2$, $p < .001$), and explained 41% of the variation in patronage. Consistent with the model and literature review, consumer's perceptions of legitimacy and attitudes towards new businesses has an impact on whether or not consumers intend to patronage new businesses.

Table 5: Linear regression of consumer legitimacy and attitude scores on patronage

Model	Patronage Scores (N = 846)					
	B	Std. Error	Beta	t	p	
1	(Constant)	2.73	0.34		7.95	.000
	Legitimacy scale	.048	.012	.206	3.85	.000
	Attitude scale	.180	.020	.481	8.99	.000
F= 139.2, *r ² = 0.41, P < .001 for model						

5.9.2 Attitudes

To further understand the model implications, a regression analysis was done to examine the relationships between key demographic variables and consumer attitudes about new businesses, based on the race of the entrepreneur (see Table 6). In Model 1, with regards to new African American-owned businesses, collective self esteem showed the strongest relationship with attitudes ($B = .325$, $p < .001$). Age also had a significant relationship to attitudes toward new African American owned Businesses ($B = .13$, p

=.018). As the participant's age increased, the consumer attitude scale increased. In Model 2, consumer attitudes toward new White owned businesses was examined and again collective self esteem had the strongest relationship ($B = .355$, $p < .001$). Education ($B = .154$, $p < .005$) and income ($B = -.136$, $p = .015$) were significantly related to attitudes toward new White owned business. As the participant's income decreased, the attitude score increased and participants with lower education had higher attitude scores toward new White-owned businesses.

Table 6: Regression Analyses Results of Consumer Attitudes by Race of Entrepreneur

Race of Entrepreneur	Variable	Regression coefficient	t-value	p-value
<i>Model 1: Black/ African American</i>	Constant		8.29	.000***
	Age	.130	2.373	.018*
	Gender	-.007	-.128	.898
	Collective Self-esteem	.325	5.843	.000***
	Income Level (High vs. Low)	-.082	-1.434	.152
	Education Level (Low vs. High)	.054	.962	.337
	Neighborhood	.033	.555	.579
	Race of Participant	-.068	-1.119	.264
	Model 1 F= 6.747 R ² = .107; P<.001			
<i>Model 2: White</i>	Constant		6.286	.000***
	Age	.028	.528	.598
	Gender	-.008	-.157	.875
	Collective Self-esteem	.355	6.593	.000***
	Income Level (High vs. Low)	-.136	-2.451	.015*
	Education Level(Low vs. High)	.154	2.807	.005**
	Neighborhood	.078	1.335	.183
	Race of Participant	-.027	-.453	.650
	Model 2 F= 9.880 R ² = .156; P<.001			

Note: * $p < .05$; ** $p < .01$; *** $p < .001$

5.9.3 Legitimacy

Secondly, a regression analysis was done to examine the relationships between key variables of legitimacy perceptions of new businesses, by race of entrepreneur (See Table 7). In Model 1, with new African American-owned businesses collective self esteem was most strongly related to perceptions of legitimacy ($B = .355, p < .001$). Income ($B = -.154, p = .006$) and education ($B = .12, p = .031$) also had significant relationships to legitimacy perceptions of new African American-owned businesses. As the participant's income and level of education decreased, legitimacy perceptions increased. Thus, people with lower education and income had higher perceptions of legitimacy for new African American owned businesses. In Model 2, consumer perceptions of legitimacy of new White-owned businesses was examined and again collective self esteem had the strongest relationship ($B = .30, p < .001$). Education ($B = .200, p < .001$) was also significantly related to legitimacy perceptions of new White-owned business. As the participant's education decreased their perceptions of legitimacy of new white owned businesses increased.

Table 7: Regression Analyses Results of Consumer Legitimacy Perceptions by Race of Entrepreneur

Race of Entrepreneur	Variable	Regression coefficient	t-value	P-value
Model 1: Black/ African American	Constant		4.955	.000***
	Age	.043	.795	.427
	Gender	.008	.156	.876
	Collective Self-esteem	.355	6.481	.000***
	Income Level (High vs. Low)	-.154	-2.744	.006**
	Education Level (Low vs. High)	.120	2.161	.031*
	Neighborhood	.025	.434	.665
	Race of Participant	-.089	-1.476	.141
	Model 1 F= 9.314 R ² = .150; P<.001			
Model 2: White	Constant		4.738	.000***
	Age	.056	1.037	.300
	Gender	-.058	-1.132	.258
	Collective Self-esteem	.300	5.517	.000***
	Income Level (High vs. Low)	-.109	-1.934	.054
	Education Level (Low vs. High)	.200	3.597	.000***
	Neighborhood	.012	.206	.837
	Race of Participant	.011	.186	.853
	Model 2 F= 9.484 R ² = .152; P<.001			

Note: *p < .05; **p < .01; ***p < .001

5.9.4 Intended Patronage

Finally, a regression analysis was done to examine the relationship between key demographic variables of patronage of new businesses, by race of the entrepreneur (see Table 8). In Model 1, with new African American-owned businesses legitimacy had the strongest relationship to patronage (B= .317, p < .001). Attitude had the second strongest relationship (B= .238, p < .001). In Model 2, patronage for new White-owned businesses was examined and attitude had the strongest relationship (B= .452, p < .001). Similar to

African American-owned businesses, legitimacy also had a strong relationship to intended patronage ($B = .260, p < .001$). Unlike African American-owned businesses, patronage scores were impacted by several other significant predictors, which did not predict patronage in African American owned businesses. Participant's race ($B = -.116, p = .026$), education ($B = -.098, p = .043$), and age ($B = -.091, p = .050$) were also significant predictors of patronage for White-owned businesses. White participants had higher patronage scores for new White owned businesses. Participants with higher education and older participants had higher patronage scores for new White owned businesses. This model indicated that patronage for White owned businesses is impacted by multiple predictors, whereas patronage of new African American businesses is primarily impacted by attitude and legitimacy.

Table 8: Regression Analyses Results for Intended Patronage by Race of Entrepreneur

Race of Entrepreneur	Variable	Regression coefficient	t-value	P-value
<i>Model 1: Black/ African American</i>	Constant		6.416	.000***
	Attitude	.238	3.734	.000***
	Legitimacy	.317	4.808	.000***
	Age	-.086	-1.698	.090
	Gender	.066	1.366	.173
	Collective Self-esteem	.051	.931	.352
	Income Level (High vs. Low)	.081	1.526	.128
	Education Level (Low vs. High)	.072	1.386	.167
	Neighborhood	.038	.711	.477
	Race of Participant	.012	.205	.838
Model 1 F= 14.303 R ² = .268; P<.001				
<i>Model 2: White</i>	Constant		6.142	.000***
	Attitude	.452	7.265	.000***
	Legitimacy	.260	4.178	.000***
	Age	-.091	-1.965	.050*
	Gender	-.068	-1.548	.123
	Collective Self-esteem	-.101	-2.050	.041*
	Income Level (High vs. Low)	.011	.231	.817
	Education Level (Low vs. High)	-.098	-2.034	.043*
	Neighborhood	.075	1.484	.139
	Race of Participant	-.116	-2.235	.026*
Model 2 F= 24.443 R ² = .391; P<.001				

Note: *p= < .05; **p < .01; ***p < .001

The next section details the results of independent *t*-tests that were performed to test the stated hypotheses which examined whether differences existed in consumer attitudes, legitimacy perceptions, and patronage of businesses based on race/ethnicity and neighborhood type.

5.10 Hypotheses Testing

Hypothesis 1A: *African Americans who reside in predominantly African American neighborhoods have less favorable attitudes toward new African American-owned businesses than those who reside in predominantly White neighborhoods.*

An independent *t*-test was done, and on average, African American participants who reside in predominantly African American neighborhood had higher mean attitude scores for new African American owned businesses than African Americans who reside in predominantly White neighborhoods (see Table 9). The Levene's test was non-significant ($p = .45$), and equal variances were assumed. There were no significant differences in the mean attitudes scores of African American participants by neighborhood ($t = 0.76$, $df = 190$, $p = .45$). Therefore, African Americans who reside in predominantly African American neighborhoods did not have less favorable attitudes toward new African American-owned businesses and hypothesis 1A was not supported.

Table 9: Mean Scores for African American Respondents with Respect to African American-owned Businesses: Hypotheses 1A, 4A, 7A

Variable	African Americans in African American neighborhoods	African Americans in White neighborhoods
Attitudes	24.6 (SD=3.8)	24.2 (SD=3.6)
Legitimacy	32.2 (SD=7.1)	31.3 (SD=5.6)
Patronage	8.7 (SD=1.3)	8.8 (SD=1.1)

Hypothesis 1B: *Whites who reside in predominantly African American neighborhoods have less favorable attitudes toward new African American-owned businesses than those who reside in predominantly White neighborhoods.*

An independent *t*-test was done and on average, White participants who reside in predominantly African American neighborhood had lower mean attitude scores for new African American owned businesses than Whites who reside in predominantly White neighborhoods (see Table 10). The Levene's test was non-significant, ($p = .22$) and equal variances were assumed. There were no significant differences between mean attitudes scores for Whites by neighborhood ($t = -0.141$, $df = 161$, $p = .89$). Therefore, hypothesis 1B was not supported.

Table 10: Mean Scores for White Respondents with Respect to African American-owned Businesses: Hypotheses 1B, 4B, 7B

Variable	Whites in African American neighborhoods	Whites in White neighborhoods
Attitudes	23.8 (SD=4.0)	23.9 (SD=3.0)
Legitimacy	31.2 (SD=3.7)	31.1 (SD=4.9)
Patronage	8.7 (SD=1.4)	8.8 (SD=1.1)

Hypothesis 1C: *African Americans who reside in predominantly White neighborhoods have more favorable attitudes toward new African American-owned businesses than Whites who reside in predominantly White neighborhoods.*

An independent *t*-test was done and on average, African American participants who reside in predominantly White neighborhood had higher mean attitude scores for new African American-owned business than Whites who reside in predominantly White neighborhoods (see Table 11). The Levene's test was non-significant, ($p = .162$) and equal variances were assumed. However, there were no significant differences in mean attitudes scores toward new African American-owned businesses for African Americans who reside in predominantly White neighborhood and Whites who reside in predominantly White neighborhoods ($t = .67$, $df = 252$, $p = .506$). Therefore, hypothesis 1C was not supported.

Table 11: Mean Scores for African American and White Respondents in Predominantly White Neighborhoods with Respect to African American-owned Businesses: Hypotheses 1C, 4C, 7C

Variable	African Americans in White neighborhoods	Whites in White neighborhoods
Attitudes	24.2 (SD=3.6)	23.9 (SD=3.0)
Legitimacy	31.1 (SD=5.6)	31.4 (SD=4.9)
Patronage	8.8 (SD=1.3)	8.7 (SD=1.1)

Hypothesis 1D: *Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new African American-owned businesses than African Americans who reside in predominantly African American neighborhoods.*

An independent t -test was done and on average, White participants who reside in predominantly White neighborhood had lower mean attitude scores for new African American-owned business than African American in predominantly African American neighborhood (see Table 12). There were no significant differences in attitude scores for Whites in predominantly White neighborhoods and African Americans in predominantly African American neighborhoods with regards to new White-owned businesses ($t = 1.5$, $df = 238$, $p = .13$). Therefore, hypothesis 1D was not supported.

Table 12: Mean Scores for African American Respondents in Predominantly African American neighborhoods and Whites in Predominantly White Neighborhoods with Respect to African American-owned Businesses: Hypotheses 1D, 4D, 7D

Variable	African Americans in African American neighborhoods	Whites in White neighborhoods
Attitudes	24.6 (SD=3.8)	23.9 (SD=3.0)
Legitimacy	32.2 (SD=7.1)	31.4 (SD=4.9)
Patronage	8.7 (SD=1.3)	8.7 (SD=1.1)

Hypothesis 2A: *African Americans who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than those who reside in predominantly White neighborhoods.*

An independent t -test was done and on average, African American participants who reside in predominantly African American neighborhood had lower mean attitude scores for new White owned business than African Americans who reside in

predominantly White neighborhoods (see Table 13). The Levene's test was non-significant, ($p = .53$) and equal variances were assumed. There were no significant differences between mean attitudes scores for African Americans by neighborhood ($t = -1.2$, $df = 211$, $p = .24$). Therefore, this hypothesis 2A was not supported.

Table 13: Mean Scores for African American Respondents with Respect to White-owned Businesses: Hypotheses 2A, 5A, 8A

Variable	African Americans in African American neighborhoods	African Americans in White neighborhoods
Attitudes	21.9 (SD=4.4)	22.6 (SD=3.8)
Legitimacy	29.8 (SD=6.5)	29.7 (SD=6.3)
Patronage	7.8* (SD=1.8)	8.2* (SD=1.6)

Note: * $p < .05$

Hypothesis 2B: *Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods have equally favorable attitudes toward new White-owned businesses.*

An independent t -test was done and on average, White participants who reside in predominantly African American neighborhood had higher mean attitude scores for new White-owned businesses than Whites who reside in predominantly White neighborhoods (see Table 14). The Levene's test was significant, ($p = .01$) and equal variances were not assumed. There was no significant difference between attitudes scores for Whites by

neighborhood with regards to new White-owned businesses ($t = 0.603$, $df = 6.21$, $p = .57$). Therefore, hypothesis 2B was supported.

Table 14: Mean Scores for White Respondents with Respect to White-owned Businesses: Hypotheses 2B, 5B, 8B

Variable	Whites in African American Neighborhood	Whites in White Neighborhoods
Attitudes	22.9 (SD=5.1)	21.7 (SD=3.0)
Legitimacy	28.2 (SD=8.1)	27.9 (SD=5.6)
Patronage	8.3 (SD=1.4)	8.5 (SD=1.3)

Hypothesis 2C: *African Americans who reside in predominantly White neighborhoods have less favorable attitudes toward new White-owned businesses than Whites who reside in predominantly White neighborhoods.*

An independent t -test was done and on average, African American participants who reside in predominantly White neighborhood had higher mean attitude scores for new White-owned businesses than Whites who reside in predominantly White neighborhoods (see Table 15). The Levene's test was significant, ($p = .001$) and equal variances were not assumed. There was a significant difference between attitude scores for African Americans and Whites who reside in predominantly White neighborhood with regards to new White-owned businesses ($t = 2.2$, $df = 235$, $p = .030$). Therefore, this hypothesis was not supported.

Table 15: Mean Scores for African American Respondents in Predominantly White neighborhoods and Whites in Predominantly White Neighborhoods with Respect to White-owned Businesses: Hypotheses 2C, 5C, 8C

Variable	African Americans in White neighborhoods	Whites in White neighborhoods
Attitudes	22.6* (SD=3.8)	21.7* (SD=3.0)
Legitimacy	29.7 (SD=6.3)	27.9 (SD=5.6)
Patronage	8.2 (SD=1.6)	8.5 (SD=1.3)

Note: *p= < .05

Hypothesis 2D: *Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new White-owned businesses than African Americans who reside in predominantly African American neighborhoods.*

An independent *t*-test was done and on average, White participants who reside in predominantly White neighborhood had lower mean attitude scores for new White-owned business than African Americans in predominantly African American neighborhoods (see Table 16). There was no significant difference between attitudes scores for Whites or African Americans with regards to new White-owned businesses ($t = .4$, $df = 225$, $p = .68$). Therefore, hypothesis 2D was not supported.

Table 16: Mean Scores for African American Respondents in Predominantly African American Neighborhoods and Whites in Predominantly White with Respect to White-owned Businesses: Hypotheses 2D, 5D, 8D

Variable	African Americans in African American neighborhoods	Whites in White neighborhoods
Attitudes	21.9 (SD=4.4)	21.7 (SD=3.0)
Legitimacy	29.8* (SD=6.5)	27.9* (SD=5.6)
Patronage	7.8*** (SD=1.8)	8.5*** (SD=1.3)

Note: * $p < .05$; *** $p < .001$

Hypothesis 3A: *African Americans who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than they do new African American-owned businesses.*

An independent t -test was done and on average, African American participants who reside in predominantly African American neighborhood had lower mean attitude scores for new White owned business; than new African Americans-owned businesses (see Table 17). The Levene's test was non-significant, ($p = .88$) and equal variances were assumed. There was a significant difference between attitudes scores for African Americans by neighborhood ($t = 4.2$, $df = 176$, $p < .001$). The difference was not in the direction that was hypothesized and thus this hypothesis was not supported.

Table 17: Mean Scores for African American Respondents in Predominantly African American Neighborhoods with Respect to the Race of Entrepreneur: Hypotheses 3A, 6A, 9A

Variable	African American-owned New Business	White-owned New Business
Attitudes	24.6*** (SD=3.8)	21.9*** (SD=4.4)
Legitimacy	32.2* (SD=7.1)	29.8* (SD=6.5)
Patronage	8.7*** (SD=1.3)	7.8*** (SD=1.8)

Note: * $p < .05$ *** $p < .001$

Hypothesis 3B: *Whites who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than new African American-owned businesses.*

An independent *t*-test was done and on average, White participants who reside in predominantly African American neighborhood had lower mean attitude scores for new White-owned businesses than new African American-owned businesses (see Table 18). The Levene's test was non-significant, ($p = .43$) and equal variances were assumed. There was no significant difference between the attitudes scores for Whites who reside in predominantly African American neighborhood with regards to the race of the business owner ($t = 0.43$, $df = 17$, $p = .57$). Therefore, hypothesis 3B was not supported.

Table 18: Mean Scores for White Respondents in Predominantly African American Neighborhoods with Respect to the Race of Entrepreneur: Hypotheses 3B, 6B, 9B

Variable	African American-owned New Business	White-owned New Business
Attitudes	23.8 (SD=4.0)	22.9 (SD=5.1)
Legitimacy	31.2 (SD=7.1)	28.3 (SD=3.7)
Patronage	8.4 (SD=1.3)	8.3 (SD=1.4)

Hypothesis 3C: *African Americans who reside in predominantly White neighborhoods have equally favorable attitudes toward new White-owned and new African American-owned businesses.*

An independent *t*-test was done and on average, African American participants who reside in predominantly White neighborhood had higher mean attitude scores for new African American-owned businesses than new White owned business (see Table 19). The Levene's test was not significant, ($p = .296$) and equal variances were assumed. There was a significant difference between attitude scores for African Americans with regards to new African American-owned businesses and White-owned businesses ($t = 3.3$, $df = 226$, $p = .001$). Therefore, this hypothesis was not supported.

Table 19: Mean Scores for African American Respondents in Predominantly White Neighborhoods with Respect to the Race of Entrepreneur: Hypotheses 3C, 6C, 9C

Variable	African American-owned New Business	White-owned New Business
Attitudes	24.2*** (SD=3.5)	22.6*** (SD=3.5)
Legitimacy	31.2 (SD=8.1)	28.3 (SD=3.7)
Patronage	8.6* (SD=1.1)	8.2* (SD=1.6)

Note: * $p < .05$; *** $p < .001$

Hypothesis 3D: *Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new White-owned businesses than toward new African American-owned businesses.*

An independent *t*-test was done and on average, White participants who reside in predominantly White neighborhood had higher mean attitude scores for new African American-owned businesses than new White owned business (see Table 20). The Levene's test was not significant, ($p = .287$) and equal variances were assumed. There was a significant difference between attitude scores for Whites with regards to new African American-owned businesses and new White-owned businesses ($t = 6.2$, $df = 287$, $p < .001$). Therefore, this hypothesis was not supported.

Table 20: Mean Scores for White Respondents in Predominantly White Neighborhoods with Respect to the Race of Entrepreneur: Hypotheses 3D, 6D, 9D

Variable	African American-owned New Business	White-owned New Business
Attitudes	23.9*** (SD=3.0)	21.7*** (SD=3.0)
Legitimacy	31.4*** (SD=4.9)	27.9*** (SD=5.6)
Patronage	8.8** (SD=1.1)	8.4** (SD=1.6)

Note: $p < .05$; ** $p < .01$; *** $p < .001$

Hypothesis 4 A: *African Americans who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than those who reside in predominantly White neighborhoods.*

An independent t -test was done and on average, African American participants who reside in predominantly African American neighborhood had higher mean legitimacy scores for new African American-owned business; than African Americans in predominantly White neighborhoods (see Table 9). The Levene's test was non-significant, ($p = .019$), $F = 5.5$ and equal variances were not assumed. There was no significant difference between legitimacy scores for African Americans by neighborhood ($t = 1.17$, $df = 162.3$, $p = .245$). Therefore, this hypothesis was not supported.

Hypothesis 4 B: *Whites who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than Whites who reside in predominantly White neighborhoods.*

An independent t -test was done and on average, White participants who reside in predominantly African American neighborhood had higher mean Legitimacy scores for new African American-owned businesses than new Whites who reside in predominantly

White neighborhoods (see Table 10). The Levene's test was non-significant, ($p = .36$) and equal variances were assumed. There was no significant difference between legitimacy scores for Whites by neighborhood ($t = -0.166$, $df = 158$, $p = .87$). Therefore, hypothesis 4B was not supported.

Hypothesis 4C: *African Americans who reside in predominantly White neighborhoods perceive new African American-owned businesses as more legitimate than Whites who reside in predominantly White neighborhoods.*

An independent t -test was done and on average, African American participants who reside in predominantly White neighborhood had lower mean legitimacy scores for new African American-owned business than Whites who reside in predominantly White neighborhoods (see Table 11). The Levene's test was significant, ($p = .017$) and equal variances were not assumed. There was no significant difference in legitimacy scores for African Americans and Whites in predominantly White neighborhoods with regards to new African American-owned businesses ($t = .76$, $df = 240$, $p = .45$). Therefore, this hypothesis 4C was not supported.

Hypothesis 4D: *Whites who reside in predominantly White neighborhoods perceive new African American-owned businesses as more legitimate than African Americans who reside in predominantly African American neighborhoods.*

An independent t -test was done and on average, White participants who reside in predominantly White neighborhood had lower mean legitimacy scores for new African American-owned business than African American in predominantly African American

neighborhood (see Table 12).There was no significant difference in legitimacy scores for Whites in predominantly White neighborhoods and African Americans in predominantly African American neighborhoods with regards to new African American-owned businesses ($t = 1.0$, $df = 233$, $p = .30$). Therefore, hypothesis 4D was not supported.

Hypothesis 5 A: *African Americans who reside in predominantly African American neighborhoods perceive new White-owned businesses as more legitimate than those who reside in predominantly White neighborhoods.*

An independent t -test was done and on average, African American participants who reside in predominantly African American neighborhood had higher mean legitimacy scores for new White- owned business; than African Americans in predominantly White neighborhoods (see Table 13). The Levene's test was non-significant, ($p = .761$), $F = .093$ and equal variances were not assumed. There was no significant difference between legitimacy scores for African Americans by neighborhood ($t = .060$, $df = 179.6$, $p = .953$). Therefore, this hypothesis was not supported.

Hypothesis 5 B: *Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods equally perceive new White-owned businesses as legitimate.*

An independent t -test was done and on average, White participants who reside in predominantly African American neighborhood had higher mean legitimacy scores for new White-owned businesses than Whites who reside in predominantly White neighborhoods (see Table 14).The Levene's test was non-significant, ($p = .01$) and equal

variances were not assumed. There was no significant difference between attitudes scores for Whites by neighborhood with regards to new White-owned businesses ($t = 0.64$, $df = 145$, $p = .86$). Therefore, hypothesis 5B was supported.

Hypothesis 5C: *African Americans who reside in predominantly White neighborhoods and whites who reside in predominantly White neighborhoods equally perceive new White-owned businesses as legitimate.*

An independent t -test was done and on average, African American participants who reside in predominantly White neighborhood had higher mean legitimacy scores for new White-owned business than Whites who reside in predominantly White neighborhoods (see Table 15). The Levene's test was significant, ($p = .002$) and equal variances were not assumed. There was a significant difference between legitimate scores for African Americans and Whites in predominantly White neighborhood with regards to new White-owned businesses ($t = 2.5$, $df = 238$, $p = .019$). Therefore, this hypothesis was not supported.

Hypothesis 5D: *Whites who reside in predominantly White neighborhoods perceive new White-owned businesses than as more legitimate than African Americans who reside in predominantly African American neighborhoods.*

An independent t -test was done and on average, White participants who reside in predominantly White neighborhood had lower mean legitimacy scores for new White-owned business than African Americans in predominantly African American neighborhoods (see Table 16). There was a significant difference between legitimacy

scores for Whites and African Americans with regards to new White-owned businesses ($T = 2.3$, $df = 224$, $p = .02$). Therefore, hypothesis 5D was not supported.

Hypothesis 6A: *African Americans who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than new White-owned businesses.*

An independent t -test was done and on average, African American participants who reside in predominantly African American neighborhood had higher mean legitimacy scores for new African American-owned business than for new White owned businesses (see Table 17). The Levene's test was non-significant, $F = 1.5$, ($p = .22$) and equal variances were assumed. There was a significant difference between attitudes scores for African Americans by neighborhood ($t = 2.3$, $df = 171$, $p = .024$). The difference was significant, however it was not in the direction that was hypothesized, and thus this hypothesis was not supported.

Hypothesis 6 B: *Whites who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than new White-owned businesses.*

An independent t -test was done and on average, White participants who reside in predominantly African American neighborhood had lower mean Legitimacy scores for new White-owned businesses than new African American-owned businesses (see Table 18). There was no significant difference between attitudes scores for Whites who reside

in predominantly African American neighborhood with regards to the race of the business owner ($t = 0.89$, $df = 17$, $p = .39$). Therefore, hypothesis 6B was not supported.

Hypothesis 6C: *African Americans who reside in predominantly White neighborhoods perceive new African American-owned and new White-owned businesses as equally legitimate.*

An independent t -test was done and on average, African American participants who reside in predominantly White neighborhood had higher mean legitimacy scores for new African American-owned businesses than new White owned business (see Table 19). The Levene's test was not significant, ($p = .552$) and equal variances were assumed. There was no significant difference between legitimacy scores for African Americans with regards to new African American-owned businesses and White-owned businesses ($t = 1.6$, $df = 216$, $p = .106$). Therefore, this hypothesis was supported.

Hypothesis 6D: *Whites who reside in predominantly White neighborhoods perceive new African American-owned businesses as less legitimate than White-owned businesses.*

An independent t -test was done and on average, White participants who reside in predominantly White neighborhood had higher mean legitimacy scores for new African American-owned businesses than new White owned business (see Table 20). The Levene's test was not significant, ($p = .449$) and equal variances were assumed. There was a significant difference between legitimacy scores for Whites with regards to new African American-owned businesses and new White-owned businesses ($t = 5.7$, $df = 275$, $p < .001$). Therefore, this hypothesis was not supported.

Hypothesis 7 A: *African Americans who reside in predominantly African American neighborhoods are less likely to patronize new African American-owned businesses than who reside in predominantly White neighborhoods.*

An independent *t*-test was done and on average, African American participants who reside in predominantly African American neighborhood had lower mean patronage scores for new African American-owned business; than African Americans in predominantly White neighborhoods (see Table 9). The Levene's test was non-significant, ($p = .012$), $F = 6.4$ and equal variances were not assumed. There was no significant difference between patronage scores for African Americans by neighborhood ($t = -.396$, $df = 173.6$, $p = .693$). Therefore, this hypothesis was not supported.

Hypothesis 7 B: *Whites who reside in predominantly African American neighborhoods are less likely to patronize new African American-owned businesses those who reside in predominantly White neighborhoods.*

An independent *t*-test was done and on average, White participants who reside in predominantly African American neighborhood had similar mean patronage scores for new African American owned businesses than new Whites who reside in predominantly White neighborhoods (see Table 10). The Levene's test was non-significant, ($p = .36$) and equal variances were assumed. There was no significant difference between patronage scores for Whites by neighborhood ($t = -0.160$, $df = 164$, $p = .90$). Therefore, hypothesis 7B was not supported.

Hypothesis 7C: *African Americans who reside in predominantly White neighborhoods are more likely to patronize new African American-owned businesses than Whites who reside in predominantly White neighborhoods.*

An independent *t*-test was done and on average, African American participants who reside in predominantly White neighborhood had higher mean patronage scores for new African American-owned business than Whites who reside in predominantly White neighborhoods (see Table 11). The Levene's test was non-significant, ($p = .51$) and equal variances were assumed. There was no significant difference between patronage scores for African Americans and Whites in predominantly White neighborhood with regards to new African American-owned businesses ($t = .255$, $df = 213$, $p = .80$). Therefore, hypothesis 7C was not supported.

Hypothesis 7D: *Whites who reside in predominantly White neighborhoods are more likely to patronize new African American-owned businesses than African Americans who reside in predominantly African American neighborhoods.*

An independent *t*-test was done and on average, White participants who reside in predominantly White neighborhood had the same mean patronage scores for new African American-owned business as African American in predominantly African American neighborhood (see Table 12). There was no significant difference in patronage scores for Whites in predominantly White neighborhoods and African Americans in predominantly African American neighborhoods with regards to new African American-

owned businesses ($t = 0.00$, $df = 241$, $p = 1.00$). Therefore, hypothesis 7D was not supported.

Hypothesis 8 A: *African Americans who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than those who reside in predominantly White neighborhoods.*

An independent t -test was done and on average, African American participants who reside in predominantly African American neighborhood had lower mean patronage scores for new White- owned business than African Americans in predominantly White neighborhoods (see Table 13). The Levene's test was non-significant, ($p = .751$), $F = .101$ and equal variances were not assumed. There was no significant difference between patronage scores for African Americans by neighborhood ($t = -1.74$, $df = 172.6$, $p = .083$). Therefore, this hypothesis was not supported.

Hypothesis 8 B: *Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods are equally likely to patronize new White-owned businesses.*

An independent t -test was done and on average, White participants who reside in predominantly African American neighborhood had lower mean patronage scores for new White-owned businesses than Whites who reside in predominantly White neighborhoods (see Table 14). The Levene's test was non-significant, ($p = .87$) and equal variances were assumed. There was no significant difference between patronage scores

for Whites by neighborhood about new White-owned businesses ($t = -0.36$, $df = 146$, $p = .72$). Therefore, hypothesis 8B was not supported.

Hypothesis 8C: *African Americans who reside in predominantly White neighborhoods and Whites who reside in predominantly White neighborhoods are equally likely to patronize new White-owned businesses.*

An independent t -test was done and on average, African American participants who reside in predominantly White neighborhood had lower mean patronage scores for new White-owned business than Whites who reside in predominantly White neighborhoods (see Table 15). The Levene's test was significant, ($p = .002$) and equal variances were not assumed. There was no significant difference between patronage scores for African Americans and Whites in predominantly White neighborhood with regards to new White-owned businesses ($t = -1.2$, $df = 234$, $p = .22$). Therefore, hypothesis 8C was supported.

Hypothesis 8D: *Whites who reside in predominantly White neighborhoods are more likely to patronize new White-owned businesses than African Americans who reside in predominantly African American neighborhoods.*

An independent t -test was done and on average, White participants who reside in predominantly White neighborhood had higher mean patronage scores for new White owned business than African Americans in predominantly African American neighborhoods had for new African American-owned businesses (see Table 16). There was a significant difference between patronage scores for new White-owned businesses

by Whites in predominantly White neighborhoods and new African American-owned businesses by African Americans in predominantly African American neighborhoods ($t = 3.4$, $df = 227$, $p < .001$). Therefore, hypothesis 8D was supported.

Hypothesis 9A: *African Americans who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.*

An independent t -test was done and on average, African American participants who reside in predominantly African American neighborhood had higher mean patronage scores for new African American- owned business; than new White owned businesses (see Table 17). The Levene's test was non-significant, $F = 1.2$, ($p = .27$) and equal variances were assumed. There was a significant difference between patronage scores for African Americans by neighborhood ($t = 3.6$, $df = 161.8$, $p < .001$). The difference was significant, however it was not in the direction that was hypothesized, and thus this hypothesis was not supported.

Hypothesis 9 B: *Whites who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.*

An independent t -test was done and on average, White participants who reside in predominantly African American neighborhood had lower mean attitude scores for new White-owned businesses than new African American-owned businesses (see Table 18). There was no significant difference between patronage the scores for Whites who reside

in predominantly African American neighborhood with regards to the race of the business owner ($t = 0.43$, $df = 17$, $p = .57$). Therefore, hypothesis 9B was not supported.

Hypothesis 9C: *African Americans who reside in predominantly White neighborhoods are likely to patronize equally new White-owned businesses and new African American-owned businesses.*

An independent t -test was done and on average, African American participants who reside in predominantly White neighborhood had higher mean patronage scores for new African American-owned businesses than new White owned business (see Table 19). The Levene's test was significant, ($p = .004$) and equal variances were not assumed. There was a significant difference between patronage scores for African Americans with regards to new African American-owned businesses and White-owned businesses ($t = 3.5$, $df = 225$, $p = .005$). Therefore, this hypothesis was not supported.

Hypothesis 9D: *Whites who reside in predominantly White neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.*

An independent t -test was done and on average, White participants who reside in predominantly White neighborhood had higher mean patronage scores for new African American-owned businesses than new White owned business (see Table 20). The Levene's test was not significant, ($p = .680$) and equal variances were assumed. There was no significant difference between patronage scores for Whites with regards to new

African American-owned businesses and new White-owned businesses ($t = 1.9$, $df = 280$, $p = .06$). Therefore, this hypothesis was not supported.

5.11 Summary of Hypotheses Testing

The summary of the t -test results are presented in Tables 21, 22, and 23. The hypotheses are restated and the empirical results are presented in the following tables. In closing, overall the results showed support for six of the 36 hypotheses. Two of the hypotheses were marginally significant, and eleven were significant in the opposite of the hypothesized direction. Chapter 6 provides an in-depth discussion of the results of the hypotheses discussed in this chapter. Concluding remarks are given in Chapter 7. Finally, further significant results from supplementary statistical analyses are presented and discussed.

Table 21: t-TESTS ATTITUDES HYPOTHESES

HYPOTHESES	t-value	p-value	Result
Hypothesis 1a: African Americans who reside in predominantly African American neighborhoods have less favorable attitudes toward new African American-owned businesses than those who reside in predominantly White neighborhoods.	0.76	0.45	Not Supported
Hypothesis 1b: Whites who reside in predominantly African American neighborhoods have less favorable attitudes toward new African American-owned businesses than those who reside in predominantly White neighborhoods.	0.14	0.89	Not Supported
Hypothesis 1c: African Americans who reside in predominantly White neighborhoods have more favorable attitudes toward new African American-owned businesses than Whites who reside in predominantly White neighborhoods.	0.67	0.51	Not Supported
Hypothesis 1d: Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new African American-owned businesses than African Americans who reside in predominantly African American neighborhoods.	1.5	0.13	Not Supported
Hypothesis 2a: African Americans who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than those who reside in predominantly White neighborhoods.	-1.2	0.24	Not Supported
Hypothesis 2b: Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods have equally favorable attitudes toward new White-owned businesses.	0.60	0.57	Supported
Hypothesis 2c: African Americans who reside in predominantly White neighborhoods have less favorable attitudes toward new White-owned businesses than Whites who reside in predominantly White neighborhoods.	2.2	0.03	Not Supported
Hypothesis 2d: Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new White-owned businesses than African Americans who reside in predominantly African American neighborhoods.	0.4	0.68	Not Supported
Hypothesis 3a: African Americans who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than new African American-owned businesses.	4.2	<.001	Not Supported
Hypothesis 3b: Whites who reside in predominantly African American neighborhoods have more favorable attitudes toward new White-owned businesses than new African American-owned businesses.	0.43	0.57	Not Supported
Hypothesis 3c: African Americans who reside in predominantly White neighborhoods have equally favorable attitudes toward new White-owned and new African American-owned businesses.	3.3	.001	Not Supported
Hypothesis 3d: Whites who reside in predominantly White neighborhoods have more favorable attitudes toward new White-owned businesses than toward new African American-owned businesses.	6.2	<.001	Not Supported

Table 22: t-TESTS LEGITIMACY HYPOTHESES

Hypothesis	t-value	p-value	Result
Hypothesis 4a: African Americans who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than those who reside in predominantly White neighborhoods.	1.17	0.25	Not Supported
Hypothesis 4b: Whites who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than Whites who reside in predominantly White neighborhoods.	0.17	0.87	Not Supported
Hypothesis 4c: African Americans who reside in predominantly White neighborhoods perceive new African American-owned businesses as more legitimate than Whites who reside in predominantly White neighborhoods.	0.76	0.45	Not Supported
Hypothesis 4d: Whites who reside in predominantly White neighborhoods perceive new African American-owned businesses as more legitimate than African Americans who reside in predominantly African American neighborhoods.	1.0	0.30	Not Supported
Hypothesis 5a: African Americans who reside in predominantly African American neighborhoods perceive new White-owned businesses as more legitimate than those who reside in predominantly White neighborhoods.	0.06	0.95	Not Supported
Hypothesis 5b: Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods equally perceive new White-owned businesses as legitimate.	0.64	0.86	Supported
Hypothesis 5c: African Americans who reside in predominantly White neighborhoods and those who reside in predominantly White neighborhoods equally perceive new White-owned businesses as legitimate.	2.5	0.19	Not Supported
Hypothesis 5d: Whites who reside in predominantly White neighborhoods perceive new White-owned businesses than as more legitimate than African Americans who reside in predominantly African American neighborhoods.	2.3	0.02	Not Supported
Hypothesis 6a: African Americans who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than new White-owned businesses.	2.3	0.02	Not Supported
Hypothesis 6b: Whites who reside in predominantly African American neighborhoods perceive new African American-owned businesses as less legitimate than new White-owned businesses.	0.09	0.39	Not Supported
Hypothesis 6c: African Americans who reside in predominantly White neighborhoods perceive new African American-owned and new White-owned businesses as equally legitimate.	1.6	0.12	Supported
Hypothesis 6d: Whites who reside in predominantly White neighborhoods perceive new African American-owned businesses as less legitimate than White-owned businesses.	5.7	<.001	Not Supported

Table 23: t-TESTS PATRONAGE HYPOTHESES

Hypothesis	t-value	p-value	Result
Hypothesis 7a: African Americans who reside in predominantly African American neighborhoods are less likely to patronize new African American-owned businesses than who reside in predominantly White neighborhoods.	-0.40	0.70	Not Supported
Hypothesis 7b: Whites who reside in predominantly African American neighborhoods are less likely to patronize new African American-owned businesses those who reside in predominantly White neighborhoods.	-0.16	0.90	Not Supported
Hypothesis 7c: African Americans who reside in predominantly White neighborhoods are more likely to patronize new African American-owned businesses than Whites who reside in predominantly White neighborhoods.	0.26	0.80	Not Supported
Hypothesis 7d: Whites who reside in predominantly White neighborhoods are more likely to patronize new African American-owned businesses than African Americans who reside in predominantly African American neighborhoods.	0.00	1.0	Not Supported
Hypothesis 8a: African Americans who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than those who reside in predominantly White neighborhoods.	-1.70	0.08	Not Supported
Hypothesis 8b: Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods are equally likely to patronize new White-owned businesses.	-0.36	0.72	Not Supported
Hypothesis 8c: African Americans who reside in predominantly White neighborhoods and Whites who reside in predominantly White neighborhoods are equally likely to patronize new White-owned businesses.	-1.2	0.22	Supported
Hypothesis 8d: Whites who reside in predominantly White neighborhoods are more likely to patronize new White-owned businesses than African Americans who reside in predominantly African American neighborhoods.	3.4	<.001	Supported
Hypothesis 9a: African Americans who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.	3.6	<.001	Supported
Hypothesis 9b: Whites who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.	0.43	0.57	Not Supported
Hypothesis 9c: African Americans who reside in predominantly White neighborhoods are likely to patronize equally new White-owned businesses and new African American-owned businesses.	3.5	.005	Not Supported
Hypothesis 9d: Whites who reside in predominantly White neighborhoods are more likely to patronize new White-owned businesses than new African American-owned businesses.	1.9	0.06	Not Supported

Chapter 6: Discussion of Empirical Results

6.1 Overview

In this study, the theoretical relationships that were identified during the literature review were found to be significant in this sample of participants. The consumer attitudes and perceptions of legitimacy were significantly related to the consumer's intent to patronize new businesses. When examining the differences in groups as defined by the 2010 Census data on racial characteristics of neighborhoods, several important significant relationships were noted through regression analysis. However, independent *t*-tests used to test the hypotheses in this study were mostly unable to detect significant differences in consumer perceptions and their impact on intended patronage in this sample. Some of the hypotheses were supported, while others had means that were trending in the hypothesized directions but not significant. Yet others were not significant, and some that were significant were not in the directions that were hypothesized. For instance, this study hypothesized that African Americans businesses would be perceived as less legitimate and that unfavorable attitudes toward them would ultimately affect whether or not consumers would patronize these businesses. Interestingly, new African American-owned businesses had higher attitude and legitimacy scores than new White-owned businesses; however, this did not translate to their having higher intended patronage scores than new White-owned businesses.

This chapter reviews and discusses the study results using the literature review, as described in Chapter 2, as a framework for the discussion. This chapter will also use the

theoretical model to summarize the findings presented in the previous chapter. Next, specific consumer perceptions, legitimacy, attitudes, and collective self esteem will be discussed in relation to the current state in the entrepreneurship literature. Finally, implications for entrepreneurship, and future studies are also suggested while acknowledging the limitations of the study.

6.2 Summary and Discussion of Results

Evidence shows that social behaviors, such as consumer behavior and business patronage, are often implicit or unconscious (Greenwald & Banaji, 1995). According to these authors, unconscious behaviors are heavily influenced by past experience, attitudes (favorable or unfavorable dispositions toward people, places, and policies), self-esteem, and stereotypes. These also influence consumers' perceptions of business legitimacy, which in turn influence business patronage.

6.2.1 Attitudes

This research focused in part on how consumers' attitudes toward African American-owned businesses affect patronage of African American-owned businesses and ultimately African American entrepreneurship. One of the inherent assumptions is that consumers will patronize businesses toward which they hold favorable attitudes. As discussed earlier, ethnic identity confers certain important business resources on ethnic enclave businesses. Since ethnic enclave businesses rely heavily on co-ethnic patronage (Cummings, 1999), it is critical that these consumers hold favorable attitudes toward these ethnic enclave businesses in order for them to be successful (Wilson & Portes, 1980).

An initial regression examining the relationship of age, participant's race, gender, neighborhood, income, level of education, and collective self-esteem on attitudes, controlling for legitimacy and patronage, which were known to be related to attitude was performed. Legitimacy had the strongest relationship with attitudes toward African American-owned businesses, regardless of race/ethnicity of participant and neighborhood type and therefore, had a likely impact on consumer's attitudes. It may be that for most participants in this sample, an African American in a suit, with some college classes, and a business plan was enough to counter some of the negative stereotypes that African Americans suffer and increase the legitimacy, attitude, and patronage scores that participants gave the African American entrepreneur (see Baron, 2000; Baron, Markman, & Bollinger, 2006). As mentioned earlier, two sets of the survey questionnaire were used in this study. One set had a picture of an African American male in business a suit and the other had a picture of a White male in suit to depict an African American and a White entrepreneur respectively.

Independent *t*-tests were then used to test hypotheses 1A, 1B, 1C, and 1D to examine whether differences in attitudes toward new African American-owned businesses based on the consumers' race/ethnicity and neighborhood type would be present. Surprisingly, no significant differences in attitudes toward new African American-owned businesses were found regarding race/ethnicity and/or neighborhood type. Hypotheses 2A, 2B, 2C, and 2D examined whether there were differences in attitudes toward new White-owned businesses based on consumers' race/ethnicity and neighborhood type. Again, no significant differences were recorded, and so, hypothesis

2B, which stated that “Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods have equally favorable attitudes toward new White-owned businesses,” was supported as stated. This agrees with Williams (1999), who claimed that regardless of where they live, Whites hold favorable attitudes toward co-ethnics.

On average, African Americans who resided in predominantly White neighborhoods had more favorable attitudes toward White-owned businesses than Whites in predominantly White neighborhoods or African Americans in predominantly African American neighborhoods. Interestingly, African Americans in predominantly African American neighborhoods also on average have a more favorable attitude than Whites toward White-owned businesses. Again, legitimacy was the strongest predictor of attitudes toward new White-owned businesses. African Americans have more favorable attitudes toward new White-owned businesses because they perceived them as legitimate. However, contrary to Williams (1999), lower attitude scores were recorded for Whites toward new White-owned businesses. This was not expected, and may have occurred because Whites do not suffer the kinds of negative stereotypes that Blacks suffer. The White entrepreneur may have been judged more objectively. Thus, a picture of a White man in a suit, described as having some college classes and a business plan, may not be enough to convey their legitimacy to co-ethnics. In fact, while taking the surveys, some White participants commented that the White entrepreneur did not have any managerial experience. The higher level of expectation reflected in these comments was never made for the African American entrepreneur. Therefore, it is possible that Whites hold new

White entrepreneurs to a higher standard than they hold new African American entrepreneurs.

Hypotheses 3A, 3B, 3C, and 3D compared consumers' attitudes toward new African American-owned businesses and new White-owned businesses based on race/ethnicity and neighborhood type. On average, consumers, regardless of race/ethnicity and neighborhood type, had more favorable attitudes toward new African American-owned businesses than new White-owned businesses. They may have higher expectations for the experience level of White entrepreneurs. It is possible that the higher regard for African American entrepreneurs may have been related to the study data being collected by a Black male researcher.

6.2.2 Legitimacy

As earlier stated, legitimacy is critical for diminishing the effects of the liabilities of newness (Stinchcombe, 1965). An entrepreneur's success ultimately depends on his or her ability to gain customer support by achieving high levels of legitimacy (Zarkada-Fraser & Fraser, 2002). According to the literature, consumers are more likely to patronize businesses that they perceive as legitimate.

Again, a regression analysis examining the relationship of age, participant's race, gender, neighborhood, income, level of education, and collective self-esteem with legitimacy, controlling for attitudes, which were known to have strong relationships with legitimacy based on the earlier model, was performed. Of the proposed demographic and other key variables, three had a significant relationship with consumer perceptions of legitimacy. These included attitudes, level of income, and collective self-esteem.

Attitude was most strongly related to legitimacy perceptions of new African American-owned businesses. Thus, as with their attitudes toward African American-owned businesses, study participants may have perceived the picture that depicted an African American entrepreneur as legitimate because of appearance and perceived qualifications, which did not fit the negative stereotypes that people hold of African Americans. Again, participants' responses may have been influenced by the presence of the researcher.

Independent *t*-tests were used to test hypotheses 4A to 6D, which examined differences between consumers' legitimacy perceptions of African American-owned and that of White-owned businesses. Hypotheses 4A, 4B, 4C, and 4D examined whether there were differences in consumers' legitimacy perceptions of new African American-owned businesses based on the consumers' race/ethnicity and neighborhood type. Surprisingly, no significant differences were found.

Hypotheses 5A, 5B, 5C, and 5D examined whether there were differences in consumers' legitimacy perceptions of new White-owned businesses based on consumers' race/ethnicity and neighborhood type. Again, no significant differences were recorded, and so, hypothesis 5B, which stated that "Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods equally perceive new White-owned businesses as legitimate," was supported as hypothesized. African Americans, regardless of neighborhood type, gave higher legitimacy scores to White entrepreneurs than did White respondents. Although on average, African Americans in predominantly African American neighborhoods perceived White-owned businesses as more legitimate than did African Americans in the

predominantly White neighborhood, as hypothesized, the difference was not significant. According to the literature, African Americans and Whites that live in predominantly White neighborhoods tend to view themselves as being of the same education and income level. Thus, African Americans that reside in predominantly White neighborhoods, similarly to Whites in predominantly White neighborhoods, may require more conviction of legitimacy (e.g., managerial experience) of a White entrepreneur than African Americans that reside in predominantly African American neighborhoods.

Hypotheses 6A, 6B, 6C, and 6D compared consumers' legitimacy perceptions of new African American-owned businesses and new White-owned businesses based on respondents' race/ethnicity and neighborhood type. Hypothesis 6C, which stated that "African Americans who reside in predominantly White neighborhoods perceive new African American-owned and new White-owned businesses as equally legitimate," was supported. There was no significant difference in legitimacy perceptions of new African American-owned or new White-owned businesses by African Americans in predominantly White neighborhoods. In addition, on average, consumers, regardless of race/ethnicity and neighborhood type had higher legitimacy perceptions of new African American-owned businesses than of new White-owned businesses. Again this may be for similar reasons discussed earlier.

6.2.3 Intended Patronage

Consumers will patronize businesses that they perceive as legitimate, or those toward which they have favorable attitudes. A regression analysis was done to examine the relationship between key demographic variables of patronage of new businesses, by

race of the entrepreneur. For the African American entrepreneur, only legitimacy and attitudes had significant relationships to intended patronage. For the White entrepreneur, these key variables were also strongly related to intended patronage. However, unlike for the African American entrepreneur's intended patronage scores, several other variables had significant relationships with intended patronage for the White entrepreneur. A participant's race, education, and age were also significantly related to intended patronage of White-owned businesses. White participants had higher patronage scores for new White-owned businesses. Participants with higher education and older participants had higher patronage scores for new White-owned businesses. This model indicated that intended patronage of White owned businesses is impacted by multiple variables, whereas patronage of new African American businesses is primarily impacted by attitude and legitimacy.

Hypotheses 7A to 9D were utilized to examine whether patronage intentions differed based on the race/ethnicity of business owners, race/ethnicity of consumers, and neighborhood type. First, hypotheses 7A to 7D were employed to determine specifically if the intention to patronize African American-owned businesses differed by the respondents' race/ethnicity and neighborhood type. There were no significant differences in respondents' intentions to patronize new African American-owned business regardless of respondents' race/ethnicity and neighborhood type. Although, on average, African Americans in predominantly African American neighborhoods had higher legitimacy and attitude scores than those in predominantly White neighborhoods, for new African American-owned businesses, African Americans in predominantly White neighborhoods

were more likely to patronize African American-owned businesses as hypothesized. However, this difference was not statistically significant.

Second, hypotheses 8A to 8D were tested to examine differences in intended patronage of White-owned businesses based on respondents' race/ethnicity and neighborhood type. Hypothesis 8A, which stated that "African Americans who reside in predominantly African American neighborhoods are more likely to patronize new White-owned businesses than those who reside in predominantly White neighborhoods," was not supported. Hypothesis 8B, which stated that "Whites who reside in predominantly African American neighborhoods and Whites who reside in predominantly White neighborhoods are equally likely to patronize new White-owned businesses," was supported, showing that Whites, regardless of neighborhood type, will patronize equally White-owned businesses. Hypothesis 8C, which states that "African Americans who reside in predominantly White neighborhoods and Whites who reside in predominantly White neighborhoods are equally likely to patronize new White-owned businesses," was also supported. This may be because African Americans and Whites who reside in predominantly White neighborhoods view themselves as similar in education and income levels.

Finally, hypothesis 8D, which states that "Whites who reside in predominantly White neighborhoods are more likely to patronize new White-owned businesses than African Americans who reside in predominantly African American neighborhoods," was also supported. What is interesting in the case of White-owned businesses is that even though on average they had lower legitimacy and attitude scores from both White and

African American participants, only 3 intended patronage hypotheses showed significantly higher intended patronage scores for the African American entrepreneur. More interestingly, Whites who consistently had lower attitudes and legitimacy scores for new White-owned businesses had significantly high patronage scores for White-owned businesses. This is paradoxical because the literature shows that lower legitimacy and lower attitude scores should lead to lower patronage. The regression analysis performed on intended patronage indicated that multiple factors, such as legitimacy, attitudes, age, education, and race had significant relationships with intended patronage of White-owned businesses. This is unlike the intended patronage for African American-owned businesses, which was only significantly related to attitudes and legitimacy. Hence, it appears that different variables impact intended patronage for African American-owned and White-owned businesses. In fact, intended patronage for White-owned business was the only time race of the respondents had any significant relationship.

Hypotheses 9A, 9B, 9C, and 9D compared patronage of new African American-owned businesses and new White-owned businesses based on consumers' race/ethnicity and neighborhood type. Contrary to hypothesis 9A, African Americans in predominantly African American neighborhoods were less likely to patronize White-owned businesses than African American-owned businesses. However, for African Americans and Whites in predominantly White neighborhoods, and Whites in predominantly African American neighborhoods, there were no significant differences in intended patronage scores for White-owned businesses. Again, this is surprising given the significantly lower

legitimacy and attitude scores of White-owned businesses. This may be for similar reasons concerning intended patronage of White-owned businesses discussed earlier.

In conclusion, in this study, participants, regardless of race/ethnicity and neighborhood type, had higher legitimacy perception of, and more favorable attitudes toward new African American-owned businesses than toward new White-owned businesses. Perhaps the depiction of the African American entrepreneur in a suit, with work experience, and having taken some college classes did not fit the negative stereotypes that people hold of African Americans. This higher attitude scores and higher legitimacy scores that were noted for new African American business were interesting. It is possible that people have strong positive feelings for African American-owned businesses, yet this does not improve their success. According to Sharma (2009), individuals may be endowed with high levels of emotional capital that does not transition to financial gain or patronage. However, for Whites, the opposite seems to be the case, because lower legitimacy and attitude scores for new White-owned businesses did not result in lower patronage.

In addition, the higher levels of support for African American businesses may be linked to the fact that race and ethnicity issues are extremely difficult to study. With participants completing the surveys in open and visible settings and returning them to an African American researcher, participants may have been unwilling to address these sensitive and difficult to discuss issues publically and honestly.

6.2.4 Patronage and Intended patronage

The Behavioral Intention Model developed by Fishbein and Ajzen (1975) suggests that attitudes and normative beliefs are important in predicting patronage. Marketers routinely utilize buying intentions to predict sales (Morwitz, Steckel, & Gupta, 2007). Although intended patronage and actual patronage are not the same, there is a strong positive relationship between them, such as that between purchase intentions and purchase behavior. Purchase intentions are used by marketing managers as a proxy for expected consumer behavior, especially when launching new products or services. However, Morwitz et al. (2007), reported that the type of product studied (e.g., new versus existing, durable versus non-durable, level of product specificity), type of customer (e.g., rational vs. prejudiced), and type of study (e.g., experimental vs. survey) could be potential moderators of the relationship between purchase intentions and behavior, or in this case patronage intentions and actual patronage. These factors may have influenced the present study because this study was about new businesses. Morwitz et al. (2007) found that intentions are better predictors of behavior for existing products than for new products. Thus, stating that the entrepreneurs depicted in the study were in the process of opening their businesses may have contributed to the result of the study, which overall favored the African American entrepreneur even though earlier research showed African Americans lag behind in sustained entrepreneurship.

6.3 Response Bias

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 is strongest among White respondents with higher education levels because they have a greater understanding of what responses are socially acceptable. This seems to be the case with the White respondents in predominantly White neighborhoods, whose attitudes, legitimacy, and patronage scores were significantly higher for the Black entrepreneur than for the White entrepreneur. This finding is unexpected and differs from Quellet (2007), who stated that consumers were most likely to patronize co-ethnics.

In this study, respondents were randomly recruited to answer the survey questionnaire by a Black data collector. To examine the potential for social desirability response bias, a second round of data was collected from White respondents in predominantly White neighborhoods. However, for this secondary data, the respondents were randomly recruited by a White data collector. The responses of this second group were compared to the results from the White respondents in the original sample. The results showed that the White respondents' attitudes, legitimacy, and patronage scores for the Black entrepreneur did not differ based on whether the data was collected by the Black or White data collector. However, their attitudes, legitimacy, and patronage scores for the White entrepreneur were significantly higher when the data was collected by the

White data collector. This latter finding was expected, but not found, with the original data. This suggests the possibility of social desirability response bias, and is likely to have been a contributing factor for why some of the hypotheses were not supported. Social desirability response bias and details about the method and the findings of the supplementary study are provided in Chapter 7.

6.4 Study Limitations

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. While cross-sectional studies are useful in entrepreneurship studies, they nevertheless have some limitations. However, the descriptive and correlation data may help to describe the relationships between legitimacy perceptions, attitudes, and patronage by race/ethnicity and neighborhood type of the studied neighborhoods.

The implementation of this study offered some unique challenges. First, this study had some racial/ethnicity components. There might have been some social desirability response biases (Bernadi, 2006). People are usually very sensitive to ethnic/racial discussions and questions. Furthermore, the fact that data was collected by the researcher who was Black may have resulted in participants being unwilling to share fully their negative attitudes and stereotypes towards African Americans. In addition,

after completing the survey, a few of the participants, despite being informed that the study was academic research told the researcher that they believed that he would be successful and wished him luck. Some participants, after answering the surveys, asked what kind of restaurant the researcher was thinking of opening, and in what area. In a certain place of implementation, the people would not talk to the researcher and wanted him thrown out immediately. Some even used distasteful racial remarks; however, when they were informed that he was friends with the manager of the facility, they voluntarily completed the survey. Most of them rated the new African American-owned business much higher than the new White-owned business. This is interesting because in this isolated case, without support from the manager moments earlier, they may not have participated in the research.

The methodological challenges noted in this study may have led to the inability to detect a difference in the groups. When comparing Whites in African American neighborhoods to African Americans in African American neighborhoods, difficulty in finding participants and respondent error likely limited the ability to detect a difference. Non-response error occurs when certain groups of people are not available or are unwilling to participate, in this case White participants in predominantly African American neighborhoods. In addition, although participants were informed that the Black researcher was not the person in the picture, they verbally wished the researcher well, and this may represent some response bias in a small number of participants. Response bias and social desirability occurs when respondents tend to answer questions with a certain slant that consciously or unconsciously misrepresents the truth (Fisher,

1993; Krysan, 1998; Randall & Fernandes, 1991). This bias also limits the ability to detect differences among groups.

6.5 Future Research

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 African American-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. Although some challenges involved in using real businesses, such as quality, service, and pricing, were not encountered with the present research method, careful selection of business establishments for comparison could yield invaluable insight. In addition, using a real business may minimize social desirability response bias because the researcher would actually observe respondents as they go in and out of the selected business establishments. Also, different types of businesses can be studied to determine if differences exist between African American-owned and White-owned businesses concerning how consumer perceptions impact patronage.

One of the main challenges in the implementation of the present research was response bias. In the future, this study can be implemented by data collectors of different racial/ethnic backgrounds to determine whether there would be differences in results based on the race/ethnicity of the researcher. If differences exist, researchers will be better prepared to counter and/or minimize the effects of response bias that may occur because of the presence of the researcher. Other data collectors of different race/ethnicity, gender, and age may be used in different settings to determine if and how the presence of the researcher biases response. For instance, a group of data collectors, made up of individuals who represent a variety of race/ethnicity, age, and gender, could be used to collect data from African Americans in predominantly White neighborhoods. The same group of data collectors would then be used to collect data from all other groups of study participants. If they exist, differences in responses based on data collector demographic characteristics could be determined. Additionally, greater efforts can be made to collect data from Whites in predominantly African American neighborhoods. The use of different data collectors may facilitate this effort. This group may be more willing to participate in the study if the data collector is of similar demographics.

In addition, this study can also be implemented in an anonymous manner. For instance, the Internet can be used to ensure that study participants' responses are not biased because of the presence of the researcher. Individuals are more likely to respond honestly when they believe there is total anonymity, such as that provided by the Internet (Nosek, Banaji, & Greenwald, 2002). Social desirability response bias may be

diminished because people are more likely to disclose fully their feelings about sensitive issues, such as race/ethnicity. Moreover, a comparison can be done to determine if differences exist when there is total anonymity and when the researcher is present. In the future, researchers who are interested in similar studies would be better informed and prepared to control for these differences, if they exist.

This study can also be expanded to include businesses that are owned by people with different demographics. Since the United States is made up of more than Blacks and Whites, future research could include entrepreneurs of other races/ethnic groups. Moreover, gender and age differences may exist in consumer perceptions; therefore, for future research, the gender and age of the entrepreneurs can also be manipulated to determine if differences based on age and gender exist. A cross-country study could also be implemented to compare results from different countries, especially a country like South Africa, which had institutionalized racial discrimination like the United States.

As discussed earlier, having a picture of a Black man in business attire may be enough to eliminate or diminish the negative stereotypes and confer legitimacy. Therefore, instead of depicting the entrepreneur in business attire, he or she can be depicted in casual clothing, or perhaps, only headshots of entrepreneurs of different demographic backgrounds may be used in future research. Finally, since research concerning the impact of consumer perceptions on entrepreneurship is sparse, in the future, a qualitative research method may be used to ascertain if and how variables other than legitimacy and attitudes affect patronage.

6.6 Implications for Entrepreneurial Practice

Consumers and customer patronage are central to business survival and success. This study illuminates the importance of the consumer and consumer perceptions to businesses in general and specifically African American-owned business. From the results of this study, it seems that business-like appearance and perceived preparedness (through having work experience, education, and a business plan) may have minimized negative stereotypes and conferred favorable attitudes and perceptions of legitimacy on African American-owned businesses. Consumers are more likely to patronize businesses they perceive as legitimate and toward which they have favorable attitudes.

One way that entrepreneurial practitioners can improve patronage of their business is to improve the racial diversity within their organizations. Although, improvements in diversity have been used to improve performance of larger corporations (which tend to be majority White) (Joshi, Liao, & Jackson, 2006; Konrad, 2003), the literature related to increasing diversity in African American businesses is sparse, and it has been noted that African American businesses tend to hire other African Americans (Bates, 2006). Having a diverse workforce may further improve the patronage of African American-owned businesses and ultimately lead to success.

Entrepreneurship training that includes apprenticeship or internship that focuses specifically in improving preparedness- with an established business in an aspiring entrepreneur's area of interest before he or she receives a loan or grant may improve chances of success for the African American entrepreneur. Training programs similar to

“Dress for Success,” which educates would-be entrepreneurs on the importance of appearance, formal education, business experience, and ability to write business plans, will result in favorable consumer perceptions. In addition, encouraging partnerships with and endorsements from well-known role models and partnering with well-known established corporations will diminish negative stereotypes, and will improve legitimacy perceptions, and attitudes toward these new businesses.

Chapter 7: Response Bias

In social science research, much of our understanding of human behavior is based on self-reported data (Fisher, 1993). According to Fisher (1993), this could be problematic because of the basic human tendency to be seen in the best possible light, responding in socially acceptable manners, especially with regards to sensitive topics such as race and gender. Social desirability response bias about race due to the semipublic nature of survey measurement is well documented (Krysan, 1998). Krysan (1998) reports that survey data, rather than documenting diminishing racial prejudice, may represent conscious or unconscious “faking” by respondents, especially on questions of race/ethnicity. Krysan (1998) also suggested that social desirability response bias pressures may be strongest among White respondents with higher education levels because of their greater understanding of what responses are socially acceptable. This could be the case for White respondents in this study, who were on average better educated than the Black respondents, and who may have experienced stronger pressures to misrepresent their true opinions on racial attitudes. The tendency to be seen in the best possible light may have been heightened because of the presence of the researcher who collected the data himself who is Black.

Research has shown that individuals report behaviors that they feel others will expect is appropriate (Randall & Fernandes, 1991). The authors reported that assuring respondents that their names will not be associated with research findings may not be enough to reduce the influence of social desirability response bias, even when surveys are

administered in non-threatening situations. Thus, researchers have tried to reduce the effect of social desirability response bias by using varying levels of anonymity, reporting that more anonymity resulted in less socially desirable responses (Randall & Fernandes, 1991). Krysan (1998) reported less socially desirable responses with increased anonymity (from standard face to face to modified face to face and then to mail surveys). Randall and Fernandes (1991) suggested utilizing other methodologies such as proxy subjects, forced-choice items, or computer administration to further reduce social desirability response bias. Fisher (1993) suggested using indirect questioning, that is asking respondents to offer their opinions of other people, for instance, if respondents predict that other people behave in a certain way under certain circumstances, they may be describing their own behaviors.

Although the primary purpose of this study was to explore differences in consumer perceptions of entrepreneurs based on race/ethnicity and neighborhood types, the primary findings suggest that there may have been some social desirability response bias. For instance, the study found that White respondents had significantly higher attitude scores, higher legitimacy scores, and higher patronage scores for African American-owned businesses than White-owned businesses. This is surprising because research shows that Whites have a favorable view of themselves (attitudes and legitimacy perceptions) (Williams, 1999) and consumers are most likely to patronize co-ethnics (Quellet, 2007). This prompted the researcher to further explore the possibility of social desirability response bias.

Interviewer selection has been noted as an avenue of reducing social desirability response bias. Nederhof (1985) stated that the results of an interview are more likely to be biased in a socially desirable manner when subjects are similar to interviewers with respect to social distance. However, the author of the present study contends that the reverse may be the case with regards to race. The author also proposes that the results of a race/ethnicity based survey are more likely to be biased due to social desirability of the respondents when they are of different race/ethnicity from the researcher/data collector. The findings, which suggest that White respondents in predominantly White neighborhoods have more favorable attitudes toward African American entrepreneurs, higher legitimacy perceptions of African American entrepreneurs, and were more likely to patronize African American entrepreneurs than White entrepreneurs prompted the researcher to focus on this group for a secondary study to investigate the possibility of social desirability response bias.

7.1 Methods

This supplementary study replicates the primary study that set out to determine if there were differences in consumer perceptions of an entrepreneur based on the race of the consumer, the race of the entrepreneur, and neighborhood types. The original data was collected by a Black data collector in the earlier study, but for the supplementary study, a White data collector was utilized to collect data from one of the four groups of participants in the main study to determine if there were differences in responses based on the data collector's race (case control design). In this supplementary study, a total of

98 White respondents were recruited at the same location in a predominantly White neighborhood where about half of the White participants in the primary study were recruited. This new data was collected about 45 days after data was collected for the primary study. The two sets of surveys were administered randomly as with the earlier study, but this time only White participants were recruited and the surveys were administered by a White data collector.

7.2 Results

7.2.1 *New African American-owned businesses*

Independent *t*-tests were done to compare the mean attitudes, legitimacy, and patronage scores for African American entrepreneurs obtained by the Black data collector and a White data collector for White respondents in a predominantly White neighborhood. There were no significant differences in White participants' attitudes, legitimacy, and patronage scores for new African American-owned businesses regardless of the race of the data collector (see Table 24). Given the results, it appears that the race of the data collector did not matter to White respondents in predominantly White neighborhoods with respect to their perceptions of African American entrepreneurs.

Table 24: Mean Scores for White Respondents in Predominantly White Neighborhoods with Respect to African American entrepreneur by race of data collector

Variable	African American Data Collector	White Data Collector
Attitudes	23.7 (SD=3.4)	23.7 (SD=3.5)
Legitimacy	31.2 (SD=5.5)	30.6 (SD=5.7)
Patronage	8.6 (SD=1.3)	8.5 (SD=1.5)

7.2.2 New White-owned businesses

Independent *t*-tests were done to compare the mean attitudes, legitimacy, and patronage scores for White participants in a predominantly White neighborhood obtained by a White data collector and by a Black data collector with respect to new White-owned businesses. On average, White participants who reside in predominantly White neighborhood had higher mean attitude scores for new White-owned businesses when data was collected by a White individual than when it was collected by a Black individual (see Table 25). When data was collected by a White data collector, there were significant differences in White participants' attitudes, legitimacy, and patronage scores for White entrepreneurs from scores obtained when data was collected by a Black data collector. In fact, attitudes, legitimacy, and patronage scores were significantly higher when data was collected by the White data collector than when data was collected by the Black data collector. This suggests that there was some response bias in the findings of the study with regards to White respondents in predominantly White neighborhoods and their perceptions of White entrepreneurs.

Table 25: Mean Scores for White Respondents in Predominantly White Neighborhoods with Respect to White entrepreneur by race of data collector

Variable	African American Data Collector	White Data Collector
Attitudes	21.5*** (SD=3.2)	23.8*** (SD=3.7)
Legitimacy	27.6*** (SD=5.6)	32.5*** (SD=6.5)
Patronage	8.2** (SD=1.5)	9.0** (SD=1.3)

Note: **p < .01; ***p < .001

In conclusion, there were no significant differences between attitudes, legitimacy, and patronage scores regarding African American entrepreneurs that were collected by either the Black or White data collector from White participants in predominantly White neighborhoods. However, there were significant differences between White respondents' attitudes, legitimacy, and patronage scores for the White entrepreneur depending on the data collector's race. Attitudes, legitimacy, and patronage scores were significantly higher for the White entrepreneur, when the White data collector gave the survey to White participants than when the Black data collector administered the survey to the same group of participants. It is possible that the same response bias occurred with the Black respondents.

The probability of response bias demonstrated in these studies may have serious implications for African American entrepreneurship research. In fact, the reason for contradictory findings in race related research may be tied the data collector's race. It is important for researchers studying race related issues to be cognizant of the possibility of social desirability response bias. Individuals are often unwilling to air their honest

feelings about people of other races or theirs for that matter. The results of the supplementary analysis suggest that researchers should take steps to minimize the effects of social desirability response bias. Some methods of reducing social desirability response bias such as forced-choice item, neutral questions, randomized response technique, self-administered questionnaires, proxy subjects, the bogus pipeline, and appropriate interviewer selection described by Nederhof (1985) may be considered. As stated earlier, in the future, a data collector that is neither Black nor White may be used to administer the questionnaire. Alternatively, the study can be implemented in a totally anonymous manner, for instance, using the Internet.

Chapter 8: Concluding Remarks

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 rates of African Americans. Even though businesses cannot thrive or survive without consumers, research examining the impact of consumers' perceptions on businesses and entrepreneurs, specifically African American entrepreneurs, is sparse. The present study addresses this gap in the literature by focusing specifically on the consumer. This study examines if and how consumers' attitudes toward and legitimacy perceptions of African American entrepreneurs affect patronage and African American entrepreneurship.

This study also links sociology concepts (e.g., ethnocentrism, social identity, ethnic identity), psychology concepts (e.g., self-esteem, identity), and marketing concepts (e.g., consumer ethnocentrism) with entrepreneurship and entrepreneurial outcomes. Enclave entrepreneurs depend heavily on patronage from co-ethnics. About two-thirds of African Americans live and/or work in African American enclaves. Most African American-owned businesses are located in these enclaves. Therefore, African American entrepreneurs rely on co-ethnic patronage for survival and success. Despite dense populations of co-ethnics in these enclaves, African American-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.

Unfortunately, it does not seem that African American-owned businesses in African American enclaves enjoy these benefits, as they continue to struggle, while businesses owned by non-co-ethnics continue to flourish in African American enclaves. Given the much lower legitimacy and attitudes scores that African Americans have for Whites, one would expect a much lower mean intended patronage scores for White-owned businesses by African American respondents. It seems African Americans consumers do not exhibit ethnocentric behaviors with regards to business patronage. This may negatively impact the survival of African American-owned businesses in African American enclaves as they are faced by competition from non-African American owned businesses, which are usually bigger and better funded. Overall, the results favor more the African American entrepreneur. However, individual's actions often differ from their intentions. It is possible that individuals' actual patronage behavior may differ from their responses.

Nevertheless, this research highlights the importance of attitudes and legitimacy to patronage for all businesses, and especially for African American-owned businesses, which continue to struggle in African American enclaves. People will patronize businesses that they perceive as legitimate and for which they hold favorable attitudes. Therefore, consumers have favorable attitudes toward African American-owned businesses if they are perceived as legitimate. It may be that physical appearance of a

business or an entrepreneur in addition to college education and experience counter the negative stereotypes that people have of African Americans and African American-owned businesses. Diminished negative stereotypes may be enough to legitimize the African American entrepreneur, allowing people to view them more favorably, resulting in better patronage of African American-owned businesses.

It may well be that people's opinions about the African American and African American-owned businesses are changing over time, as more of these businesses are bigger, better funded, and are managed by well educated entrepreneurs. Moreover, more African American entrepreneurs are founding more dynamic and innovative ventures in technology and manufacturing instead of service businesses that they were traditionally known for. Perhaps, the emergence and growth of Black media, such as TV One and Black Enterprise magazine, which portray African American entrepreneurs as successful and serious business contenders nationally and globally, may help legitimize Black entrepreneurship.

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9.0 Appendix

Appendix A: Survey A

2010 ENTREPRENEUR SURVEY

This questionnaire is part of a broader research study that examines customer attitudes and views of new entrepreneurs. Your responses will be strictly confidential and will be combined with data from other individuals. At no time will you or any other individuals be identified.

This survey should take about 10 minutes to complete

Thank You!!

Michael Ogbolu, Ph.D. Candidate

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Please read the following brief description of Keith and keep the information in mind as you respond to the survey questions.



Keith is 33 years old. He has worked in the restaurant industry as a waiter for the past 8 years. Keith has also taken some college classes in business and hospitality management, and is planning to open a family-style restaurant in your neighborhood. Keith has written a business plan and is currently seeking a suitable location for his restaurant. He is also attempting to secure a bank loan so he can start his business within the next year.

Realizing you have limited knowledge about Keith's background and the business he is starting, please respond to the following questions as best you can. Put a check mark or an "X" for your response.

The scoring is as follows:

5 = Strongly Agree

4 = Agree

3 = Neutral (i.e., Neither Agree or Disagree)

2 = Disagree

1 = Strongly Disagree.

Question	5	4	3	2	1
1. Keith is prepared to start the business.					
2. Keith has the background to be a successful entrepreneur.					
3. Keith has the appropriate experience to get the bank loan.					
4. Keith knows how much he needs to invest in the business.					
5. I would not expect any problems with Keith's restaurant.					
6. The idea of Keith opening a restaurant in the area is appealing.					
7. Keith's restaurant would perform well near my home.					
8. Keith's restaurant would be well received by me					
9. Keith's restaurant would be well received by people in my neighborhood.					
10. I would try his restaurant if it is located in my neighborhood.					
11. If I liked the food and prices, I would recommend Keith's restaurant to friends and relatives.					
12. I expect Keith will still be in business in 5 years.					

What are your general impressions and attitudes about Keith? Please put a check mark or an "X" for your response.

The scoring is as follows:

5 = Strongly Agree

4 = Agree

3 = Neutral (i.e., Neither Agree or Disagree)

2 = Disagree

1 = Strongly Disagree.

Question	5	4	3	2	1
13. I hope Keith is successful.					
14. Keith seems like an interesting person.					
15. Keith is a good role model for children in my neighborhood.					
16. I would probably enjoy socializing with Keith.					
17. If he is successful, people in my neighborhood are more likely to have a good impression of him.					

The following five questions ask about your views on your ethnicity (i.e., White, Black/African-American, Hispanic, etc.). Again — your responses are confidential. Please put a check mark or an "X" for your response.

Question					
18. The ethnic group I belong to is unimportant to what kind of person I am.					
19. In general, the ethnic group that I belong to is an important part of my self-image.					
20. In general people respect my ethnic group.					
21. I wish people could have more respect for my ethnic group					
22. I am proud of my ethnicity.					

How do you view yourself? Please put a check mark or an "X" for your response.

The scoring is as follows:

5 = Strongly Agree

4 = Agree

3 = Neutral (i.e., Neither Agree or Disagree)

2 = Disagree

1 = Strongly Disagree.

Question	5	4	3	2	1
23. On the whole, I am satisfied with myself.					
24. I feel confident about my abilities.					
25. I am worried about whether I am regarded as a success or a failure.					
26. I feel others respect and admire me.					
27. I feel as smart as others					

Please answer the following questions that describe you. Your responses will only be used to describe the overall sample of individuals responding to the survey.

28. What is your Zip Code? _____
29. Are you male or female? MALE / FEMALE
30. What is your age? _____ (years)
31. Of the following, which best describes your ethnicity? (Please check one)
- | | |
|-------------------------------------|--|
| _____ Hispanic | _____ Asian (not Indian sub-continent) |
| _____ Black/African American | _____ Indian sub-continent |
| _____ White | _____ Native American |
| _____ Other (please specify: _____) | |
32. Did you immigrate to the USA? YES / NO
- 32a. If YES, from What Country? _____ how many years ago? _____
33. What is your highest level of formal education? (Please check one)
- | | |
|--|--|
| _____ Some high school, but no diploma | _____ Bachelor's degree |
| _____ High school degree | _____ Some graduate classes, but no degree |
| _____ Some college, but no degree | _____ Graduate degree |
34. What is your total annual household income. (Please check one)
- ___ below \$25,000 ___ \$25,000 to \$49,999 ___ \$50,000 to \$74,999 ___ \$75,000 or more

Appendix B: Survey B

2010 ENTREPRENEUR SURVEY

This questionnaire is part of a broader research study that examines customer attitudes and views of new entrepreneurs. Your responses will be strictly confidential and will be combined with data from other individuals. At no time will you or any other individuals be identified.

This survey should take about 10 minutes to complete

Thank You!!

Michael Ogbolu, Ph.D. Candidate

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Realizing you have limited knowledge about Keith's background and the business he is starting, please respond to the following questions as best you can. Put a check mark or an "X" for your response.

The scoring is as follows:

5 = Strongly Agree

4 = Agree

3 = Neutral (i.e., Neither Agree or Disagree)

2 = Disagree

1 = Strongly Disagree.

Question	5	4	3	2	1
28. Keith is prepared to start the business.					
29. Keith has the background to be a successful entrepreneur.					
30. Keith has the appropriate experience to get the bank loan.					
31. Keith knows how much he needs to invest in the business.					
32. I would not expect any problems with Keith's restaurant.					
33. The idea of Keith opening a restaurant in the area is appealing.					
34. Keith's restaurant would perform well near my home.					
35. Keith's restaurant would be well received by me					
36. Keith's restaurant would be well received by people in my neighborhood.					
37. I would try his restaurant if it is located in my neighborhood.					
38. If I liked the food and prices, I would recommend Keith's restaurant to friends and relatives.					
39. I expect Keith will still be in business in 5 years.					

What are your general impressions and attitudes about Keith? Please put a check mark or an "X" for your response.

The scoring is as follows:

5 = Strongly Agree

4 = Agree

3 = Neutral (i.e., Neither Agree or Disagree)

2 = Disagree

1 = Strongly Disagree.

Question	5	4	3	2	1
40. I hope Keith is successful.					
41. Keith seems like an interesting person.					
42. Keith is a good role model for children in my neighborhood.					
43. I would probably enjoy socializing with Keith.					
44. If he is successful, people in my neighborhood are more likely to have a good impression of him.					

The following five questions ask about your views on your ethnicity (i.e., White, Black/African-American, Hispanic, etc.). Again — your responses are confidential. Please put a check mark or an "X" for your response.

Question					
45. The ethnic group I belong to is unimportant to what kind of person I am.					
46. In general, the ethnic group that I belong to is an important part of my self-image.					
47. In general people respect my ethnic group.					
48. I wish people could have more respect for my ethnic group					
49. I am proud of my ethnicity.					

How do you view yourself? Please put a check mark or an "X" for your response.

The scoring is as follows:

5 = Strongly Agree

4 = Agree

3 = Neutral (i.e., Neither Agree or Disagree)

2 = Disagree

1 = Strongly Disagree.

Question	5	4	3	2	1
50. On the whole, I am satisfied with myself.					
51. I feel confident about my abilities.					
52. I am worried about whether I am regarded as a success or a failure.					
53. I feel others respect and admire me.					
54. I feel as smart as others					

Please answer the following questions that describe you. Your responses will only be used to describe the overall sample of individuals responding to the survey.

28. What is your Zip Code? _____
29. Are you male or female? MALE / FEMALE
30. What is your age? _____ (years)
31. Of the following, which best describes your ethnicity? (Please check one)
- | | |
|-------------------------------------|--|
| _____ Hispanic | _____ Asian (not Indian sub-continent) |
| _____ Black/African American | _____ Indian sub-continent |
| _____ White | _____ Native American |
| _____ Other (please specify: _____) | |
32. Did you immigrate to the USA? YES / NO
- 32a. If YES, from What Country? _____ how many years ago?

33. What is your highest level of formal education? (Please check one)
- | | |
|--|--|
| _____ Some high school, but no diploma | _____ Bachelor's degree |
| _____ High school degree | _____ Some graduate classes, but no degree |
| _____ Some college, but no degree | _____ Graduate degree |
34. What is your total annual household income. (Please check one)
- ___ below \$25,000 ___ \$25,000 to \$49,999 ___ \$50,000 to \$74,999 ___ \$75,000 or more

Appendix C: Subscales and Items

Subscales and Items

Construct	Items	Source
Legitimacy	Keith is prepared to start the business.	Newells and Goldsmith (2001)
	Keith has the background to be a successful entrepreneur.	
	Keith has the appropriate experience to get the bank loan.	
	Keith knows how much he needs to invest in the business.	
	I would not expect any problems with Keith's restaurant.	
	The idea of Keith opening a restaurant in the area is appealing.	
	Keith's restaurant would perform well near my home.	
	Keith's restaurant would be well received by me	
Patronage	Keith's restaurant would be well received by people in my neighborhood.	Maxham and Natemeyer (2002)
	I would try his restaurant if it is located in my neighborhood.	
Attitudes	If I liked the food and prices, I would recommend Keith's restaurant to friends and relatives.	Sweeney and Soutar (2001)
	I expect Keith will still be in business in 5 years.	
	I hope Keith is successful.	
	Keith seems like an interesting person.	
	Keith is a good role model for children in my neighborhood.	
	If he is successful, people in my neighborhood are more likely to have a good impression of him.	
Identity/Self-esteem	I would probably enjoy socializing with Keith.	GSS
	The ethnic group I belong to is unimportant to what kind of person I am.	
Self-esteem	In general, the ethnic group that I belong to is an important part of my self-image.	Luhtanen and Crocker (1992)
	In general people respect my ethnic group.	
	I wish people could have more respect for my ethnic group	
	I am proud of my ethnicity.	
Self-esteem	On the whole, I am satisfied with myself.	Heatherton and Polivy (1991)
	I feel confident about my abilities.	
	I am worried about whether I am regarded as a success or a failure.	
	I feel others respect and admire me.	
	I feel as smart as others	

Appendix D: Morgan State University IRB Approval Letter



Institutional Review Board (IRB)

December 3, 2010

Dr. Robert Singh
Department of Business Administration
Morgan State University

RE: IRB #10/11-0111

Dear Dr. Singh:

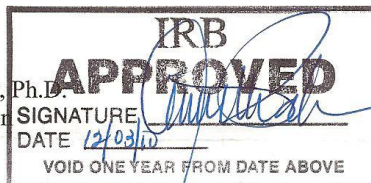
Following a review of the revised materials submitted to the IRB with respect to the research project being conducted by your student, Michael Ogbolu, entitled "Exploring the Depressed Rate of Black Entrepreneurship: The Impact of Consumer Perceptions", I am pleased to inform you that **IRB Approval** is hereby granted for the project.

Please note that the current **approval** is for a one-year period from the date of this letter. Also note that it is your responsibility to inform the IRB promptly should there be a substantive change in the project protocol.

Do not hesitate to contact me at X3190, or Dr. Isuk at X3447 should you have any questions.

Sincerely,

Annette Palmer, Ph.D.
IRB Chairperson



Cc: Dr. Edet Isuk, IRB Administrator

