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# Entrepreneurship as a solution: the allure of self-employment for women and minorities

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## Abstract

In this paper, we discuss the experiences that women and minorities encounter in organizational settings that result in frustration and discontent with corporate life and their opportunities for advancement. We suggest that such experiences push many of these individuals out of organizations, attracting them to entrepreneurship as an alternate route to both personal and professional success. Our discussion includes an examination of the issues that give rise to these experiences and a consideration of how entrepreneurship appears to provide a solution to them. It also identifies some of the potential pitfalls of entrepreneurship for women and minorities. In our concluding comments, we urge organizations to recognize the unique problems women and minorities face and the necessity of addressing these problems if they are to retain these potentially valuable members of the workforce. © 2003 Elsevier Science Inc. All rights reserved.

*Keywords:* Women; Minorities; Entrepreneurship

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## 1. Introduction

Recent years have witnessed a dramatic increase in the popularity of entrepreneurship. The exploding interest in owning or starting a small business has resulted in record-breaking numbers of new business formation. In 1998 alone, an estimated 898,000 new firms with employees opened their doors for business—the highest number ever, and a 1.5% increase from 1997 (U.S. Small Business Administration [SBA], 1999). In fact, from 1982 to 1998, the number of business tax returns filed in the United States increased 73%, totaling 24.8 million in 1998.

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One impetus for the increased popularity of entrepreneurship is the spate of corporate downsizing and restructuring efforts that have forced employees to exit organizations. But it is clear that this is not the only impetus. In increasing numbers, people are choosing to become entrepreneurs even when there are other options open to them. Acknowledging this trend, business schools, of which one of the most recent has been Harvard Business School, have made adjustments in their curricula that now requires a course on entrepreneurship in the first year of study (Leonhardt, 2000). Becoming an entrepreneur, it is believed, is not only potentially very lucrative, but also provides individuals with challenge and the opportunity to maximize their power, autonomy, and impact.

Amidst the general thrust towards entrepreneurship, there appears to be a disproportionately large number of women starting their own businesses. Although 3.9 million women as compared to 6.6 million men declared self-employment to be their primary source of income in 1997, this represented an increase of 48% for women as compared to an increase of 1.5% for men over a 15-year period (U.S. SBA, 1998) generating \$1.15 trillion in sales and employing 9.2 million people, but their businesses also were growing at a faster pace than other businesses and the economy as a whole (Center for Women's Business Research [CWBR], originally founded as the National Foundation for Women's Business Ownership [NFWBO], 2001b). In fact, the CWBR estimates that between 1997 and 2002, the number of women-owned firms grew at twice the nationwide rate (14% for women-owned firms compared to 7% nationwide).

There has also been a disproportionately sharp rise in the number of businesses owned by minorities. Between 1982 and 1997, the number of businesses owned by minorities more than doubled, for an estimated total of 3 million businesses, generating \$591 billion in revenues and employing 4.5 million workers (U.S. SBA, 2001b). Although 90% of small business owners were White in 1997, the percentage increase from five years earlier was only 4% for Whites, compared to 84% for Native Americans, 30% for Asians, 30% for Hispanics, and 26% for African Americans (U.S. SBA, 2001a, 2002). Furthermore, from 1997 to 2002, the number of minority women-owned businesses grew at a rate four times faster than all U.S. firms and over twice the rate of all women-owned firms; in fact, it was estimated that in 2002, one out of every five women-owned companies would be owned by a minority (CWBR, 2001a).

The aim of this paper is to identify the special issues faced by women and minorities that may help to explain their disproportionate interest in self-employment. We propose that although there is a tremendous general appeal of entrepreneurship, there is a special appeal to women and minorities who are likely to encounter experiences in corporate life that "push" them toward self-employment. In addition, we propose that whereas there are no doubt unique issues for members of some of these groups, the experiences of women and minorities are often quite parallel, leading them to seek self-employment as a career alternative for similar reasons. Specifically, we believe that women and minorities view entrepreneurship as a solution to problems that they encounter in the traditional workplace—problems that appear to them to be fixed and unlikely to change.

What follows is an examination of some of the issues that are of concern to women and minorities in corporate contexts and a discussion of why self-employment is seen as a way of

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