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Lois M. Shelton & Maria Minniti

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Enhancing product market access: Minority entrepreneurship, status leveraging, and preferential procurement programs

Lois M. Shelton · Maria Minniti

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Abstract Access to product markets is a key barrier faced by minority entrepreneurs. Preferential procurement programs, which include government set-asides and commercial supplier diversity initiatives, are intended to aid these entrepreneurs in overcoming this barrier. Although the first programs resulted in minimal improvements due to design flaws and poor oversight, some recent initiatives have been redesigned to address these inadequacies. Using a qualitative approach, we examine the impact of these programs on product market access and present a conceptual model of their effect on the opportunity identification, evaluation, and exploitation of Black and Hispanic entrepreneurs. Our analysis suggests that preferential procurement programs may expand product market access by improving the information available to entrepreneurs and by altering the incentives of key resource providers. As a result, these programs may actually enable some minority entrepreneurs to achieve rapid expansion (high-growth entrepreneurs) and others to overcome personal limitations and establish viable enterprises (lower growth entrepreneurs) by leveraging their minority status.

Keywords Minorities · Black entrepreneurs · Hispanic entrepreneurs · New ventures · Entrepreneurship · Small business programs

JEL Classifications L26 · M13

1 Introduction

“When I first started in business, the security industry from the days of the Pinkertons in the early 1800s was always a white male college educated dominated business...I was a non-college graduate Latino male with a bunch of kids...My competition was fierce. When (Fortune 500 Company) helped me, they were the ones that told me, ‘Why don’t you apply to become an MBE (minority business enterprise)? ...If you’re great, (Fortune 500 Company) will look good, you will look good...and everybody will be happy.’” (Entrepreneur 5, Hispanic high growth)

Product market access is one of the three key building blocks required for launching successful small businesses (Bates 2011; Bates et al. 2007). Accordingly, limited product market access is a key barrier to the survival and growth of minority entrepreneurs (Robb 2002; Sonfield 2014; Wallace 1999). Preferential procurement programs were created to enhance the access of minority entrepreneurs to government and commercial markets (Sonfield 2014; Wallace 1999). We argue

L. M. Shelton (✉)
David Nazarian College of Business and Economics, California State University, Northridge, CA, USA
e-mail: lois.shelton@csun.edu
M. Minniti
Whitman School of Management, Syracuse University, Syracuse, NY, USA

M. Minniti
Aalto Department of Management Studies, Aalto University, Helsinki, Finland

that well-designed preferential procurement programs may allow minority entrepreneurs to gain access to profitable product markets and lucrative customers by leveraging their minority status. Specifically, we present a conceptual model illustrating how these programs enable status leveraging by influencing the opportunity identification, evaluation, and exploitation processes of minority entrepreneurs.

Preferential procurement programs exist in both the government and corporate sectors. Government programs began in 1967 with legislation that authorized the US Small Business Association (SBA) to use the procurement process in assisting socially or economically disadvantaged businesses. In 1969, the SBA launched its Section 8(a) Program of conveying contracts to minority businesses. In 1977, the Public Works Employment Act mandated that 10% of all federally funded local public works projects be allocated to minority businesses (Bates 2015; Sonfield 2014).

Corporate programs started in the 1970s (Sonfield 2014). Many big corporations launched efforts to expand the number of minority business suppliers by establishing special programs within their procurement departments. The National Minority Supplier Development Council (NMSDC), chartered in 1972, was one of the major coordinating groups (Shah and Ram 2006). By 1997, the NMSDC had 3500 corporate members and over 15,000 MBE members (Bates 2015). In addition, the Billion Dollar Roundtable was established in 2001 to showcase companies that have spent a minimum of \$1 billion with minority and woman owned suppliers (Billion Dollar Roundtable 2017).

Unfortunately, many of the initial preferential procurement programs were flawed in both structure and execution. In particular, these programs, which were subject to legal challenges and variations in government policy, tended to produce the unintended consequences of increasing entrepreneurs' uncertainty and rent seeking practices. As a result, their positive effects, if any, were at best short lived and limited in scope. Over time, however, these programs have evolved, and some are now a viable means for minority entrepreneurs to gain access to previously unavailable product markets, and to serve large government and commercial clients (Bates 2001; Bates et al. 2007).

In this paper, we address two related research questions: (1) How do preferential procurement programs influence the product market access of minority entrepreneurs? and (2) Does the influence of these programs

on product market access differ for high growth and lower growth entrepreneurs? To answer these questions, we conducted a qualitative analysis of high growth and lower growth Black and Hispanic firms. We performed our analysis by employing an exploratory qualitative research design, which is appropriate for studying complex phenomena about which relatively little is known (Yin 1994).

First, we analyzed archival data from entrepreneurs on the Inc. 5000 lists of fastest growing companies in the USA. This allowed us to determine if the Black and Hispanic entrepreneurs on these lists utilized preferential procurement programs to achieve their exceptional results, and if minority firms had different patterns of product market access than their White counterparts. Second, we conducted in-depth semi-structured interviews of both high growth and lower growth minority and White entrepreneurs. This allowed us to investigate how minority entrepreneurs identify, evaluate, and exploit opportunities, and how preferential procurement programs impacted these entrepreneurial processes. All interviews took place in the greater metropolitan Los Angeles area.

Following, Shane and Venkataraman (2000) and Shepherd et al. (2015) who identified opportunity identification, opportunity evaluation, and opportunity exploitation as the three key stages of the entrepreneurial process, we provide a conceptual model of how preferential procurement programs enhance product market access by influencing these three key stages of the entrepreneurial process. Our results complement recent literature. Specifically, we find that some recent programs increase product market access for minority entrepreneurs by increasing their access to information and by changing the incentives of key customers and vendors. Our findings suggest that preferential procurement programs may enable Black and Hispanic entrepreneurs to leverage their minority status and gain access to clients and product markets that would otherwise be unavailable to them. These entrepreneurs leverage their minority status by obtaining minority business certifications that allow them to participate in government set asides and commercial supplier diversity programs. This opens a necessary, albeit not sufficient, critical mass of otherwise unavailable opportunities to them that makes their growth and survival more feasible. Although lower growth entrepreneurs face greater personal limitations than their higher growth counterparts, these programs seem to have the potential to improve product market

access for both high growth and lower growth entrepreneurs.

2 The evolution of preferential procurement programs

Since preferential procurement programs were launched in the late 1960s, scholars have examined their design, investigated their effectiveness, and debated their necessity. One of the goals of these programs is to enhance the access to product markets for minority entrepreneurs, thereby increasing the growth and profitability of their businesses (Sonfield 2014; Wallace 1999). Yet, Bates and Williams (1995, 1996) noted that larger than average minority businesses benefitted the most from preferential procurement. Studies such as Marion (2007, 2009) showed that preferential procurement tended to increase costs because fewer large, low-cost firms were participating. Fairlie and Marion (2012) documented a similar effect. Moreover, many programs disqualified higher income owners and stronger firms that were more likely to succeed (Bates 2009).

Preferential procurement programs faced also a number of restrictive judicial rulings (Sonfield 2014). In 1989, the US Supreme Court ruled in *Richmond v. Croson* that state and local governments were required to identify specific forms of discrimination to remedy prior to launching preferred procurement programs. The 1995 *Adarand v. Peña* Supreme Court decision imposed similar requirements on federal government programs (Sonfield 2014). In 1996, the state of California passed its Proposition 209 which made key aspects of preferential procurement programs illegal in local as well as state government. Although these rulings initially had a chilling effect and some preferential procurement programs were eliminated and/or suspended, others were re-evaluated, revised, and improved (Bates 2002, 2011, 2015).

Over time, preferential procurement became more successful in assisting minority businesses as procurement agencies restructured programs by screening out front companies, targeting stronger minority businesses, easing bonding requirements, downsizing and unbundling contracts, supplying dedicated expert staff, and paying minority businesses promptly (Bates 2015). Indeed, the improved design of these programs opened up a multi-billion dollar procurement market to minority businesses and accelerated increased minority business

participation in corporate and government markets (Bates 2011). Importantly, a stricter alignment with market discipline also improved the performance of some programs. Marion (2011), for example, showed that programs with higher binding goals for minority business participation and stricter enforcement regimes had higher rates of minority business utilization.

From 1960 to 1980, the proportion of minority firms operating in finance, insurance, real estate, business services, wholesaling, and manufacturing grew faster than the proportion of White firms operating in these industries (Bates and Tuck 2014). Although the impact of preferred procurement on these figures is difficult to identify, it is noteworthy that these gains coincided with the implementation of preferred procurement programs and in industries targeted by government and commercial clients.

3 Theoretical foundation and conceptual model

Entrepreneurship is an opportunity-centered process that culminates in entrepreneurial action (McMullen and Dimov 2013; Wood and McKelvie 2015). Thus, entrepreneurship unfolds as enterprising individuals move through the distinct “phases” of opportunity identification, evaluation, and exploitation (Ardichvili et al. 2003; Shane and Venkataraman 2000; Wood and McKelvie 2015). Preferential procurement programs impact how individuals move through these distinct phases and in turn, influence the product market access of minority entrepreneurs.

An entrepreneur identifies opportunities generally and in terms of “what I can see” (Shepherd et al. 2015). After an entrepreneur identifies an opportunity, she evaluates it personally in terms of “what I can do” (Haynie et al. 2009). That is, she assesses whether the opportunity is attractive in the context of her background, which includes gender and ethnicity, and her access to resources (Haynie et al. 2009). Lofstrom et al. (2014) provide empirical support for this argument by demonstrating that the wealth and educational background of potential entrepreneurs result in different industry selections. Once an entrepreneur evaluates an opportunity positively, she exploits it by investing time, money, and other resources to launch a firm. She therefore achieves outcomes in the form of industry and/or market selected, products and services offered, customers served, and firm growth.

Product market access consists of the opportunity to buy and sell, or exchange, goods and services with a particular group of customers and vendors. These customers and vendors are resource providers that help define a market (Shelton 2010). Resource providers are individuals or entities that exchange money, goods, and/or services with the entrepreneur. Entrepreneurs with greater product market access have a wider range of opportunities to consider, while those with limited product market access must consider a more reduced range of options. In addition, gatekeepers (e.g., procurement officials) influence the allocation of both resources and opportunities across individuals and firms (Shelton 2010). That is, gatekeepers influence which entrepreneurs and firms have the opportunity to establish exchange relationships with a particular group of customers and vendors.

The entrepreneur's access to a product market is, at least to some extent, a function of the entrepreneur's access to information and the preferences of resource providers and gatekeepers (Shelton 2010). Minority entrepreneurs may face limited product market access due to their exclusion from key networks and information (Wallace 1999) and to discrimination from gatekeepers and resource providers.

Networks are key avenues of information regarding business and market opportunities, and entrepreneurs with more extensive information are more likely to learn about a wider range of product markets than their counterparts with more limited information (Lofstrom et al. 2014). However, minority entrepreneurs may be excluded from valuable networks (Shelton 2010). Many networks are established and maintained based on the social status of their members, and since Blacks and Hispanics are considered to have lower status, they may not be included in some networks and may lack access to the information available to network members (Shelton 2010). An example of how this exclusion results in limited market access is the tendency of state and local government procurement officials to rely on "old boy networks" in awarding construction contracts (Bates 2002).

The preferences of resource providers and gatekeepers can be social, economic, or both. A gatekeeper will allocate more opportunities to a firm launched by an entrepreneur whom he prefers. Similarly, a resource provider will have more extensive exchanges with a firm launched by an entrepreneur whom he prefers (Cook and Whitmeyer 1992; Granovetter 1985;

Shelton 2010). The racial background of the entrepreneur can influence whether her firm will be favored or disfavored. For example, Bates and Tuck (2014) document overt and covert discrimination experienced by minority entrepreneurs from customers, banks and financial institutions.

Preferential procurement programs counteract the impact of lack of information and discriminatory preferences of gatekeepers and resource providers on Black and Hispanic entrepreneurs by requiring companies to meet certain levels of minority supplier participation (Sonfield 2007). As a result, these companies begin seeking minority firms and choosing to establish exchange relationships with them. These programs enhance the access to information of minority entrepreneurs by making them aware of opportunities to serve government and business customers, thereby reducing some of the effects of being excluded from key networks.

Preferential procurement programs also change the choices of resource providers and gatekeepers by providing them with incentives to establish exchange relationships with minority entrepreneurs (Sonfield 2014; Wallace 1999). Thus, preferential procurement programs may enhance the product market access of minority entrepreneurs by both expanding their access to information and by changing the choices of resource providers and gatekeepers. In turn, these programs mitigate some of the impact of exclusion and discrimination, and influence how minority entrepreneurs identify, evaluate, and exploit opportunities. This influence is the mechanism through which preferential procurement programs impact minority entrepreneurs.

As a result of these programs, Black and Hispanic entrepreneurs are able to identify opportunities to serve large profitable government and corporate clients (Shepherd et al. 2015) and to evaluate them as suitable because these clients are specifically requesting minority firms (Haynie et al. 2009). This assures minority entrepreneurs that their race and ethnic background will not be viewed negatively.

Consequently, these entrepreneurs can exploit these opportunities by gaining minority business enterprise (MBE) certifications (Ardichvili et al. 2003). Once a firm is certified as an MBE, customers can count the procurement contracts they award to that firm towards their minority procurement goals. Government agencies and corporations utilize either the percentage of procurement dollars awarded to certified MBE contractors, or

the dollar amount spent with certified MBE contractors, to measure compliance with key government mandates (Bates 2015; Sonfield 2014). These procurement dollar measures document the level of diversity in their procurement processes and prove their compliance with key government mandates.

We utilized this basic conceptual frame to conduct our exploratory qualitative research. This framework also guided us as we interpreted our findings and created a model of how preferential procurement programs influence the product market access of minority entrepreneurs.

Our exploratory archival and qualitative analyses supported the framework and resulted in the conceptual model illustrated in Fig. 1. The model shows how preferential procurement programs lead to expanded product market access for minority entrepreneurs.

Overall, preferential procurement programs enable minority entrepreneurs to leverage their minority status into expanded market access. Leveraging minority status in order to become a contractor or subcontractor to government and commercial clients in rapidly growing industries is a path to achieving high growth, or a route to establishing a viable, slower growing firm. By acquiring and leveraging the resources of minority business certifications, Black and Hispanic entrepreneurs may convert their minority status from a liability, resulting from discrimination, into a benefit, resulting in the opening of new opportunities.

4 Methods

In order to address our research questions and evaluate our initial framework, we implemented a two-pronged research strategy. We first examined archival data for high growth Black, Hispanic and White entrepreneurs from Inc. 5000 lists. We then conducted detailed interviews with high growth and lower growth Black, Hispanic, and White entrepreneurs based in the greater Los Angeles metropolitan area. We analyzed the interview data using qualitative methods to uncover consistent themes and patterns related to opportunity identification, opportunity evaluation and opportunity exploitation. We then examined how these themes and patterns were related to the markets and

customers served by these entrepreneurs. Finally, we integrated our findings into a model of how preferential procurement programs expand product market access for minority entrepreneurs.

4.1 Archival analysis—Inc. 5000 firms

To identify patterns in the outcomes of high growth minority firms, we examined the 2010, 2013, and 2015 Inc. 5000 lists of fastest growing firms to identify Black and Hispanic high growth firms from a national sample, with some White high growth firms as a comparison group. Our final sample consisted of thirty firms – ten Black-owned, ten Hispanic-owned, and ten White-owned as illustrated in Tables 1, 2, and 3.¹ We then compared and contrasted a set of characteristics for entrepreneurs and firms in order to determine if any distinctive patterns existed in the customer groups served, and type of products or services offered by high growth Black and Hispanic firms. Specifically, we considered entrepreneur work experience, education, and family background; and firm industry and/or market segment, major product or service, and major client type.

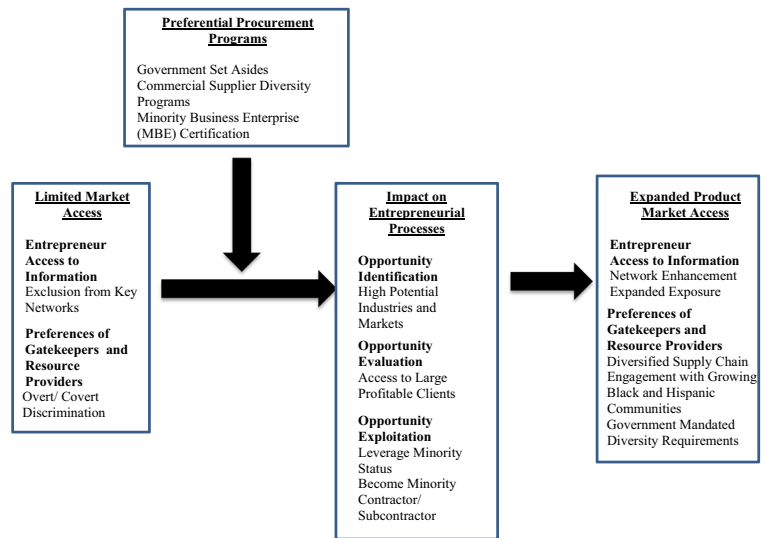
4.2 Qualitative analysis—Los Angeles area case studies

In order to gain insight into the processes of opportunity identification, evaluation and exploitation underlying the patterns suggested by the archival analysis, we utilized a four-stage qualitative methodology. In the first stage, we developed a semi-structured questionnaire regarding achieving firm growth, which was also translated into Spanish. The questionnaire was pilot-tested with an initial small group of entrepreneurs to insure clarity and comprehensiveness, and revised as necessary.

Although we sought entrepreneurs of both genders and all three ethnic/racial backgrounds to participate in

¹ We selected the years 2010 and 2013 because Inc. magazine published a list of the top ten fastest growing Hispanic-owned firms from the 2010 Inc. 5000 list, and a list of the top ten fastest growing Black-owned firms from the 2013 Inc. 5000 list. Close (2015) identified three of the fastest growing Hispanic-owned firms from the 2015 list. We then chose ten White-owned firms from the top fastest growing firms in 2013 and 2015 Inc. 5000 lists respectively as a comparison group.

Fig. 1 Impact of preferential procurement programs on the product market access of minority entrepreneurs



the interviews, we avoided any mention of minority entrepreneurship, ethnicity, or gender in our recruitment materials to prevent the introduction of biases. In addition, interviewers did not mention race, ethnicity or gender until the final interview question, unless the entrepreneur spontaneously raised these issues in the course of answering an earlier question.

In the second stage, we selected a sample of high growth and lower growth Black, Hispanic, and White entrepreneurs within the greater Los Angeles metropolitan area. We used multiple sampling strategies to identify our 20 entrepreneur participants. We recruited participants from the Inc. 5000 lists of 2008 to 2015, the Black Enterprise Top 100 lists from 2013 to 2015, Los Angeles-based incubators, Southern California Minority Supplier Development Council Top 40 finalists, and Los Angeles-based Small Business Development Corporations.

In our sample, we included entrepreneurs leading ventures 10 years old or younger and the original founders of more mature firms who were still leading their companies. By gaining insights from both the founders of gazelles, which are young high growth firms (Birch 1987; Boston and Boston 2007), and the founders of more established high growth firms, we could include more diverse perspectives. Our goal was to interview a variety of founders to provide sufficient breadth and depth to reach a point of theoretical saturation at which key themes are consistently repeated (Yin 1994). We limited our sample to participants in a single location to

control for variation in geographic environments. We supplemented the interview data by examining company websites, blogs, on-line customer reviews, and trade journals, as well as founder profiles, speeches, and presentations to provide a more thorough understanding of each entrepreneur's background and company operations.

In the third stage, one of the co-authors and an advanced doctoral student conducted semi-structured interviews with participating entrepreneurs. We assured participating entrepreneurs that their identities would remain confidential².

Finally, during the fourth stage, we employed the pattern identification logic of Eisenhardt (1989) by seeking within-group similarities and intergroup differences through the use of constant comparative analysis (Glaser and Strauss 1967) to analyze the transcribed interviews. The two interviewers independently analyzed each interview transcript as in Nikina et al. (2015). Each investigator broke down the transcribed interviews into discrete topics, and coded these into categories that she identified as significant to entrepreneurial growth. In order to obtain dialogical intersubjectivity (Kvale 1995), any differences in coding and categories between

² Although participating entrepreneurs could conduct their interviews in either Spanish or English, all of the participants chose to be interviewed in English. Interviews lasted from 28 to 65 min and were tape-recorded and professionally transcribed. One of the participants declined to be tape-recorded, so the interviewer took extensive notes and provided those notes in lieu of a transcript.

the two interviewees were discussed and presented to the second co-author for independent review and comment to insure consensus. Given the complexity of the research topic, a given interview excerpt could yield multiple interpretations. Thus, these discussions were quite helpful in clarifying the boundaries and properties of the theoretical constructs under consideration.

As Tables 4 and 5 show, ten high growth and ten lower growth Black, Hispanic and White entrepreneurs participated in the interview and case study investigation. Firms were categorized as high growth or lower growth based on their rate of growth, and total size in terms of sales and employees. Firms which were 5 years old or younger with at least \$1MM in sales and 10 employees, and firms over 5 years old with at least \$5MM in sales and over 10 employees were considered high growth, which is consistent with the definitions provided by Birch (1987), Boston and Boston (2007), and Fischer and Reuber (2003).

5 Qualitative evidence

Consistently with our conceptual model, our archival review and qualitative analyses generated a number of findings regarding the impact of preferential procurement programs on the product market access of minority entrepreneurs. In our archival review, we found key patterns in the customers and industries served and the products and services offered by minority entrepreneurs participating in these programs that differed from those of White entrepreneurs. In our qualitative analyses, we uncovered important themes regarding how preferential procurement programs enhanced product market access.

5.1 Archival analysis—Inc. 5000 firms

Tables 1, 2, and 3 summarize the individual and business characteristics of the Black, Hispanic, and White high growth entrepreneurs respectively from various Inc. 5000 lists who were included in this analysis. Table 1 illustrates the Inc. rank, revenue, and growth rate of these three different groups. White firms had the largest revenues, highest growth rates and highest Inc. rankings, followed by Hispanic and then Black firms. The annual revenues of White firms ranged from \$26.3 million to \$159.9 million, the annual revenues of Hispanic firms ranged from \$4.2 million to \$185.5 million, and those of Black firms ranged from \$2.2

Table 1 Comparison of Black, Hispanic, and White Inc. 5000 High Growth Entrepreneurs—rank, revenue, and growth rate (sources: Borison 2014; Close 2015; Inc. 5000 2010, 2013, 2015)

Black		Company Name	Ponchartrain Partners	Netcom 3 Global	American Care Partners	Urban Investment Group	VEETS, Etc.	Global Commerce and Services	MoTak Technologies	Stand-By Talent Staffing Services	Ranier Solutions	Knight Solutions
Inc. 5000 Rank, Growth	38, 6535%	Revenue, Year	\$10.5 million, 2013	\$66.4725 million, 2013	\$96.3657 million, 2013	\$4.8 million, 2013	\$203.2162 million, 2013	\$219.2041 million, 2013	\$315.1475 million, 2013	\$396.1179 million, 2013	\$407.1163 million, 2013	\$411.1150 million, 2013
Hispanic		Company Name	The Penna Group	Ayuda Management	Pursuit of Excellence	Provideo Management, Inc.	BioPoint	Micro Tech	Zempleo	Ensurity Group	eSalon	Central Closeouts
Inc. 5000 Rank, Growth	13, 9525%	Revenue, Year	\$15.5 million, 2010	\$22.7444 million, 2010	\$26.7054 million, 2010	\$32.6140 million, 2010	\$49.5302 million, 2015	\$53.4200 million, 2010	\$65.3467 million, 2010	\$70.3441 million, 2010	\$74.4048 million, 2015	\$177.2357 million, 2015
White		Company Name	Quest Nutrition	TRYFACTA	Reliant Asset Management	Optima Tax Relief	Superfish	Provider Power	Crescendo Bioscience	Plexus Worldwide	Vacasa	Go Energies
Inc. 5000 Rank, Growth	2, 57,349%	Revenue, Year	\$82.6 million, 2013	\$28.365 million, 2015	\$35.460 million, 2015	\$33.6 million, 2015	\$4.26,042 million, 2013	\$6.19,877 million, 2013	\$7.18,375 million, 2010	\$8.16,457 million, 2013	\$9.16,192 million, 2013	\$10.16,006 million, 2013

Table 3 Comparison of Black, Hispanic, and White Inc. 5000 High Growth Entrepreneurs—education and experience (Sources: Bonison 2014; Close 2015; Inc. 5000 2010, 2013, 2015)

Black	Education	Bachelor in Engineering	N/A	MD and MBA Medicine	Bachelor Real Estate Consulting	Associate's Degree Military and Government Serial Entrepreneur	BA and MBA Federal Government	Bachelor Recruiting Director	BA and MBA Banking	BS and MBA Military	BA and MBA Military
	Work Experience	Military	N/A	None	None	Military and Government Serial Entrepreneur	None	None	Banking	Military	Military
	Entrepreneurial Experience	None	N/A	None	None	Serial Entrepreneur	None	None	None	None	None
Hispanic	Education	JD	College at night	Executive Education Founder	BA Business Systems and Business Analyst	BA Communications Recruiter and Founder	BA Business, 2 Masters Military	BA, JD, Executive Education VP of Operations	BA, MBA Founder	BS Engineering, MBA VP, Founder	N/A
	Work Experience	Founder	Yes	No	No	No	No	No	Yes	Yes	N/A
	Entrepreneurial Experience	Yes	Yes	No	No	No	No	No	Yes	Yes	N/A
White	Education	BA Business	Both PhDs Computer Science Professor/ Intem	BA, MBA President	BA Business and Engineering/ BA Business Investment Banking	BA, MA Electrical Engineering Serial Entrepreneur	BA Business/BA, MBA Business Both Serial Entrepreneurs	PHD Molecular Biology and Biochemistry Academic, Entrepreneur	BA Business Network Marketing, Real Estate	BS Engineering/ JD Strategy, Green Solutions/Law	BA Business President Universal Fleet
	Work Experience	CMO	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes
	Entrepreneurial Experience	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes

million to \$30.1 million. These findings are consistent with previous empirical results regarding the relatively small size of Black firms (Robb 2002).

Table 2 shows a significant difference in industry selected, products and services offered, and customers served between minority and White firms on the Inc. 5000 lists. Eight of the ten Black firms on these lists sold primarily to government and businesses, with four firms selling primarily to government and four selling primarily to businesses. Only two firms sold primarily to private households. The same pattern was observed with Inc. 5000 Hispanic firms. Nearly all of the minority firms either clearly highlighted their status as certified minority enterprises or stated it as a matter-of-fact. These patterns suggest that preferential procurement programs played a significant role in enabling these firms to gain access to government and business clients.

By contrast, none of the Inc. 5000 White firms considered the government a primary client. Seven of the ten White firms sold primarily to private households and the remaining three sold to other business clients. Many of the White and minority firms on the Inc. 5000 lists were operating in similar industry segments such as information technology/software, construction, real estate, healthcare and health and wellness.

Table 3 shows that a significant portion (40%) of the Inc. 5000 Black founders had extensive military training and service. Also, many of the minority founders had advanced educational degrees including Masters and Law degrees plus five or more years of professional experience. The educational credentials of the Inc. 5000 minority founders matched and, in many cases, exceeded those of their White counterparts. However, eight of the ten White founders had previous entrepreneurial experience. Most of the Black and Hispanic entrepreneurs did not have previous entrepreneurial experience.

With regard to our first research question, preferential procurement programs appear to influence the product market access of high growth minority entrepreneurs by enabling them to compensate for lower access to private household markets with greater access to large and lucrative government and business clients. In this sample of Inc. 5000 firms, both minority and White entrepreneurs achieved high growth; but they served different high potential markets. Notably, the minority entrepreneurs achieving high growth were experienced and well-educated, which is consistent with Bates (2009) and Bates and Williams (1996).

5.2 Qualitative analysis—Los Angeles area case studies

5.2.1 Comparison of minority and white high growth entrepreneurs

Table 4 illustrates the personal and business characteristics of the high growth Black, Hispanic, and White entrepreneurs who participated in our qualitative case studies. Interestingly, many of the patterns observed in the sample of Inc. 5000 entrepreneurs appear to be replicated in the Los Angeles area case studies, albeit on a smaller scale. All of the minority entrepreneurs included in the case studies but one provided goods and services to businesses and government clients. Similarly, all of the minority firms in the case studies but one served mainstream clients, and all but one provided mainstream products and services. All of the minority firms except one clearly stated their minority status and certifications, and all of the minority entrepreneurs had at least some college education.

Our in-depth qualitative interviews revealed some important differences between the minority and White entrepreneurs. The two groups appeared to rely on different information bases and to face different preferences of resource providers. In turn, these differences led to different levels of product market access.

Entrepreneur access to information Minority entrepreneurs lacked certain information about the business and corporate world, and consequently, knowledge of some market opportunities. Minority entrepreneurs discussed their lack of information in two ways. First, they were not aware that certain types of product markets existed due to their exclusion from key networks. This limited exposure could arise from a lack of professional and educational connections. An example from our data follows:

“If you think about the equipment leasing industry, that’s not something that comes up when you’re a young black male. You don’t see that business. You don’t hear about that business. You don’t know anybody that’s in that business.” (Entrepreneur 1, Black high growth)

This entrepreneur expanded his network after he began working in the corporate environment. Subsequently, he learned about this relatively lucrative

industry from a business associate who changed jobs as the following quote shows:

“I was in a corporate collection business and a friend of mine went to the equipment leasing business...he called me and he said, ‘There’s a ton of guys down here and they’re making a ton of money. What’s interesting, I don’t see any Black guys down here.’ I’m like, ‘Really?’ He said ‘Yes’ and I said, ‘Tell me about the business’ and he did.” (Entrepreneur 1, Black high growth)

Second, some resource providers deliberately refused to provide valuable information to minority entrepreneurs because they did not view these entrepreneurs as capable. Another Black entrepreneur noted that his race definitely impacted his access to important information and shared the following:

“Certain opportunities become available through knowledge transfer...In seeking that knowledge transfer, the respect level was not there...” (Entrepreneur 2, Black high growth)

In both instances, minority entrepreneurs were excluded from valuable information available in more extensive and higher status networks. As a result, it appears that high growth minority entrepreneurs relied on a different information base than their White counterparts. They lacked information regarding certain types of knowledge, and certain lucrative industries and product market segments. These entrepreneurs missed certain higher potential product market opportunities that were available to their White counterparts. However, preferred procurement programs seemed to provide an alternative avenue for Black and Hispanic entrepreneurs to access higher potential markets with large lucrative business and government clients.

Preferences of resource providers We observed that some resource providers were biased against minority entrepreneurs while others favored them instead. The following example illustrates both of these situations:

“(My ethnicity has) affected (my experience as an entrepreneur) both ways. Good and bad. I’ve shown up to meetings and deals were solidified prior to going to that meeting, the meeting was more of a formality to sign paperwork...and I never got the paperwork signed and I never got

Table 4 Entrepreneur case studies—Los Angeles area high growth firms

Owner Race/Ethnicity	White									
	1	2	3	4	5	6	7	8	9	10
Code Number	1	2	3	4	5	6	7	8	9	10
Company Start Year	1994	2008	1998	1984	1996	2005	2006	2008	2010	2013
Company 2015 Sales	\$53MM	\$10MM +	\$25MM	\$40-43MM	\$45MM	\$20MM	\$2.5-35MM	\$5MM	\$4MM	\$2MM
Number of Employees	32	40	80	80-85	1900-2000	30	25	30	25	18
Industry	Security Systems, Equipment Leasing	Payment Processing Businesses	Multicultural Advertising Businesses, Government	Spanish Legal Services Private Households Co-Ethnic Market	Security Businesses	Construction	Executive Search Businesses	Digital Marketing	Safety, Cleaning	Solar Systems
Major Client Type	Businesses	Mainstream	Mainstream	Mainstream	Mainstream	Businesses, Government	Businesses	Businesses	Private Individuals	Private Individuals
Co-Ethnic or Mainstream Client	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream
Co-Ethnic or Mainstream Product or Service	Mainstream	Mainstream	Ethnic Service	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream
Owner Gender	Male	Male	Male	Female	Male	Male	Female	Male	Female	Male
Owner Education	Some College	BA	MA	BA	Some College	Some College	BA, CPA	BA	MBA	Master's in Engineering
Owner Age	57	42	40	54	56	51	47	29	33	31
Owner Work Experience	Corporate Collections, Equipment Leasing	Banking	Serial Entrepreneur	Court System	Security	Construction	Financial Recruiting	Freelance Programming, Library Work	Strategy, Venture Capital	Solar
Owner Entrepreneurial Experience	No	Yes	Yes	No	No	No	No	Yes	No	Yes

the deal...just by the behavior of the folks I was dealing with, it was a racial situation. Then I've been on the other side...I've had a Black client, who's one of the wealthiest Black men...in the country...tell me, upon our meeting, it's very important for me to do business with you...I've been with him for 15 years.” (Entrepreneur 1, Black high growth)

In the quote above, the social preferences of the resource providers with regard to race were key factors in determining whether or not they engaged in exchanges with this entrepreneur. Government mandated diversity programs impact the preferences of large corporations by giving these firms incentives to hire and work with minority entrepreneurs. Some of these corporations provided significant resources to these minority firms. An example follows:

“(Fortune 500 Company) was very good to us. When we very first started, (Fortune 500 Company) gave us a \$668,000 non-collateral loan to start our business. The president of (Fortune 500 Company) said, ‘Let (us) make you successful and not a bank. You do this, you pay us back when you have time.’ It took me a few years but I paid every penny back.” (Entrepreneur 5, Hispanic high growth)

Notably, in this example, the resource provider offered both access to a market and access to financing, which are two of the key building blocks for successful small business (Bates 2011; Bates et al. 2007). This indicates the importance of thoughtful and comprehensive program design in effectively increasing the ability of minority entrepreneurs to establish favorable exchanges with key gatekeepers and resource providers.

Opportunity identification Both White and minority entrepreneurs identified opportunities in a similar fashion based on what they could see (Shepherd et al. 2015). However, they identified different opportunities because they had different access to information and to resource providers. The two quotes below illustrate how access to information influenced the opportunities identified by each entrepreneur:

“I saw an opportunity. I thought that it was an untapped opportunity in terms of offering content for multicultural audiences, particularly for the

Hispanic market. My original business was a .com website focused on providing entertainment, cultural information to localized content for the Hispanic market in the U.S. That business was eventually dissolved, but in the process...I essentially started the business that is now [a cross-cultural advertising agency]” (Entrepreneur 3, Hispanic high growth)

“I started taking training courses in solar companies and I realized that there's a huge problem. It's lack of transparency. Homeowners are not educated about the technology and they cannot make the best decision for themselves. I said, well, marketplaces usually fix this problem in any fragmented market....I was like, “What if we created a marketplace....and we helped homeowners navigate through their options?...” (Entrepreneur 10, White high growth)

Both entrepreneurs identified opportunities based on their knowledge and experience. Entrepreneur 3 saw a need based on his knowledge of his Hispanic community, while Entrepreneur 10 saw a need based on his knowledge of middle and upper class homeowners. As the opening quote from Entrepreneur 5 indicated, preferred procurement programs expanded the vision of minority entrepreneurs and enabled them to see more opportunities in the business and government sectors.

Opportunity evaluation Minority entrepreneurs often assessed opportunities based on the experiences of their peer group as the following quote shows:

“Black males look at what business opportunities are available to them to determine what is realistic...We grow up and we look at different business professionals and we want to emulate them.” (Entrepreneur 1, Black high growth)

These assessments included determining the likelihood of establishing stable exchange relationships and receiving adequate resources from resource providers such as mainstream private sector consumers. We define these assessments as anticipated resource support. Anticipated resource support is similar to anticipated social support (Wieland et al. 2016); however, entrepreneurs consider the likelihood of receiving necessary resources instead of social support. Thus, minority entrepreneurs may choose to participate in preferred

procurement programs and to serve government and commercial clients because they see others who look like them succeeding.

Preferred procurement programs also caused minority entrepreneurs to evaluate opportunities to serve government and corporate clients favorably because (1) these resource providers were prompted to begin seeking minority firms, and (2) minority entrepreneurs were more likely to experience racial bias in the private sector. As a result, minority entrepreneurs viewed government contracts as realistic and valuable options as illustrated in the following example:

“We have a very significant government practice and so responding to RFPs [requests for proposals] and understanding which RFPs to go after is something we have a very strong capability in. It's a big part of our business. It's a big part of how we acquire customers.” (Entrepreneur 3, Hispanic high growth)

Opportunity exploitation Preferred procurement programs established the minority status of Black and Hispanic entrepreneurs as valuable. They exploited this status by acquiring minority business enterprise (MBE) certifications. Thus, the entrepreneurs' minority status, which appeared to otherwise evoke discrimination, now granted them access to large and profitable clients. Even so, one entrepreneur expressed some concerns about exploiting his minority status in the following quote:

“I went through the whole uncomfortable application process and became a certified MBE. I told (Fortune 500 company) that I didn't think it was fair that I would be considered anything different because my last name ends with a Z. (Entrepreneur 5, Hispanic high growth)

Although minority entrepreneurs gained access to profitable opportunities by leveraging their status, they were still required to meet high standards of performance. This entrepreneur stated that very clearly in these comments:

“My ethnicity did help me but there is no replacement for hard work...Hard work was everything. That hard work is color neutral, gender neutral...I had to meet the bar. I had to perform. If I didn't perform, it would have meant nothing.” (Entrepreneur 5, Hispanic high growth)

With regard to our first research question, we found that preferential procurement programs influenced each phase of the entrepreneurship process for minority entrepreneurs (Wiklund et al. 2007). These programs expanded the range of opportunities minority entrepreneurs could see (opportunity identification), increased their favorable assessment of the opportunities to serve businesses and government clients (opportunity evaluation), and provided a concrete means for them to exploit their minority status through the certification process (opportunity exploitation).

5.2.2 Comparison of minority high growth and lower growth entrepreneurs

Both high growth and lower growth minority entrepreneurs included in the Los Angeles area case studies participated in preferred procurement programs. As Table 5 shows, the lower growth minority entrepreneurs also primarily served businesses instead of private households. Four of the seven lower growth firms were involved in some form of consulting. These entrepreneurs had education and work experience comparable to their higher growth counterparts.

Lower growth minority entrepreneurs in our case studies differed from high growth minority entrepreneurs in our case studies primarily in how they evaluated and exploited opportunities. These results suggest that minority lower growth entrepreneurs had different motivations for launching firms and different growth aspirations for their on-going enterprises than minority high growth entrepreneurs (Turk and Shelton 2006). By and large, these entrepreneurs were pleased with the performance of their smaller firms, and did not equate faster growth or larger size with success.

Opportunity evaluation Lower growth minority entrepreneurs were more likely to be influenced by personal factors in assessing opportunities. Several of these entrepreneurs mentioned their desire for a particular set of hours to care for children or to meet other family responsibilities. One entrepreneur describes how her need for flexibility due to the premature birth of her daughter led her to leave a corporate position and to evaluate the opportunity to start a business favorably:

“...my daughter was born and she was born early, so she was pretty tiny...I took time off...I exhausted twelve weeks of family medical leave

Table 5 Entrepreneur case studies—Los Angeles area lower growth firms

Entrepreneur Race/Ethnicity	Black					Hispanic					White									
	11	12	13	14	15	16	17	18	19	20	11	12	13	14	15	16	17	18	19	20
Code Number	11	12	13	14	15	16	17	18	19	20	11	12	13	14	15	16	17	18	19	20
Company Start Year	1991	2009	2010	2012, 2015	1969	2005	2010	2001	2005	1992, 2010	2005	2010	2010	2012, 2015	1969	2005	2010	2001	2005	1992, 2010
Company 2015 Sales	\$3MM	\$1.4MM	<\$0.5MM	\$0MM, \$1MM	\$5-10MM	\$6MM	\$2MM	\$0.25- \$0.5MM	<\$0.5MM	\$9MM, \$1.5MM	\$6MM	\$2MM	\$0.25- \$0.5MM	\$0MM, \$1MM	\$5-10MM	\$6MM	\$2MM	\$0.25- \$0.5MM	<\$0.5MM	\$9MM, \$1.5MM
Number of Employees	12	7	0	7.3	70	8	8	2	0	35, 1	8	8	2	7.3	70	8	2	0	35, 1	
Industry	Safety	Promotional Products	Consulting, Financial Brokering	Financial Brokering, 3D Printing	Accounting, Consulting	Information Technology Consulting	Communications Consulting	Consulting, Problem-Solving	Public Speaking	Digital Media, Consulting	Information Technology Consulting	Communications Consulting	Consulting, Problem-Solving	Financial Brokering, 3D Printing	Accounting, Consulting	Information Technology Consulting	Communications Consulting	Consulting, Problem-Solving	Public Speaking	Digital Media, Consulting
Major Client Type	Businesses	Businesses	Businesses	Businesses	Businesses, Government	Businesses	Businesses	Private Households, Businesses	Businesses	Businesses	Businesses	Businesses	Private Households, Businesses	Businesses	Businesses, Government	Businesses	Businesses	Businesses	Businesses	Businesses
Co-Ethnic or Mainstream Client	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream
Co-Ethnic or Mainstream Product or Service	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream	Mainstream
Entrepreneur Gender	Female	Female	Female	Male	Male	Female	Female	Male	Female	Female	Female	Female	Male	Male	Male	Female	Female	Female	Female	Male
Education	BA	BA	BA	MBA	BA	Some College	BA	Some College	BA	BA	Some College	BA	Some College	MBA	MBA	BA	Some College	MBA	BA	
Entrepreneur Age	49	44	49	41	76	38	51	38	38	51	38	51	38	41	76	38	51	59	60	
Work Experience	Biotech	Script Writing	Entrepreneurial	Military	Accounting	Information Technology	Media	Entrepreneurial	Sales	Entrepreneurial	Media	Entrepreneurial	Entrepreneurial	Entrepreneurial	Information Technology	Media	Entrepreneurial	Sales	Entrepreneurial	
Previous Entrepreneurial Experience	No	No	Yes	Yes	No	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes	No	No	Yes	No	No	Yes

and she was still not growing as quickly as I needed, so I needed to step away from my career...(The company)...had asked,'Well, who's going to do our (safety) training?...Can you keep doing it?...Can you just teach once a week or a few times a month?' I go, 'How do I do that?'...I ran down to the courthouse with my baby, got a business license and then I just started teaching a couple of days a month." (Entrepreneur 11, Black lower growth)

Opportunity exploitation Personal factors also impacted the implementation of opportunities for these entrepreneurs. Some faced limits in exploiting the opportunities they identified. In the following example, one lower growth entrepreneur noted that poor health and lack of assistance impeded her growth:

"...Last year, I did roughly (\$\$revenues) and that was due to health reasons and I couldn't really function full time, but had I been able to I'm sure that I would have well exceeded... (\$\$revenues)... most (rival entrepreneurs), they may have 1 or 2 people under them. I don't have that. They are able to outperform me as a result of that." (Entrepreneur 13, Black lower growth)

Others had important interests outside of their businesses. For example, another lower growth entrepreneur discussed his extensive involvement in non-profit groups:

"...Accounting takes a lot of time, especially when you are running your own business...For the first five years of my practice, I focused 100% on being successful. After five years...I did involve myself in non-profit organizations. I devoted my time to a couple...I got the Lifetime Achievement Award." (Entrepreneur 15, Hispanic lower growth)

In some cases, the entrepreneurs expressed a strong desire to retain full ownership and control of the business. One entrepreneur decided against accepting cash infusions from investors because she wanted to maintain complete autonomy:

"...I didn't want hands in my business...I'm not one for investors, because I'm not really good with answering to people...From a creative standpoint, I wanted it to be totally my vision." (Entrepreneur 12, Black lower growth)

Another entrepreneur spoke of preferred procurement programs in glowing terms:

"...A positive impact and that's because we have certified as both a woman owned and a minority owned company and that has been part of our business development strategy for our large corporations.....Opportunities (exist) since there's a concerted effort to diversify supply chains in the corporate sector..." (Entrepreneur 17, Hispanic lower growth).

With regard to our second research question, preferential procurement programs appeared to allow sufficient product market access for lower growth entrepreneurs to establish viable businesses, even in the face of personal limitations and considerations. As a result, individuals with important outside interests or requirements for flexibility could still become successful entrepreneurs. In contrast, these programs provided high growth minority entrepreneurs access to the high potential product markets needed to achieve their results. By expanding market access, these programs appeared to enable minority entrepreneurs to participate in the markets best suited to their growth aspirations and personal capabilities.

6 Discussion

Albeit exploratory, our evidence suggests that preferential procurement programs may enable Black and Hispanic entrepreneurs to leverage their minority status and, as a result, expand their product market access. These minority entrepreneurs gain the opportunity to serve large government and commercial clients, thereby penetrating rapidly growing industries and/or market segments. Our findings also suggest that minority entrepreneurs tend to focus on government and commercial clients instead of private household customers because they anticipate greater resource support and lower potential discrimination from these clients as a result of preferred procurement programs (Shelton 2010; Wieland et al. 2016).

Thus, the evidence from our analysis suggests that preferential procurement programs may be a viable means for Black and Hispanic minority entrepreneurs to expand their product market access, regardless of their growth aspirations. From a theoretical point of

view, we answer the call by Sonfield (2014) to address the atheoretical nature of much of the previous literature on preferential procurement programs by providing a simple model showing how these programs influence the entrepreneurial process. We complement existing descriptive research by offering a perspective of how these programs work that is grounded in the opportunity-based entrepreneurial process. Specifically, our model illustrates how these programs influence some of the key elements of this entrepreneurial process, namely opportunity identification, evaluation, and exploitation (Ardichvili et al. 2003; Shane and Venkataraman 2000; Shepherd et al. 2015) to enhance market access for minority entrepreneurs.

In general, for both high and lower-growth minority firms, preferential procurement programs that are incentive compatible, and that limit the risk of rent seeking and agency problems, may be the trigger for a positive self-reinforcing process. In this process, the artificially expanded product market access produced initially by the programs allows minority firms to achieve a critical threshold level beyond which entrepreneurial success and, in some cases, growth are increasingly likely. Thus, although it is impossible to fully appreciate their opportunity costs, preferential procurement programs may actually succeed in promoting minority entrepreneurship even beyond the short run.

Some studies (Bates 2011, 2015; Sonfield 2014) have indicated that stronger minority firms continued to thrive even when preferred procurement programs were discontinued, dismantled, or reconfigured. This suggests that minority firms that achieve high growth through status leveraging are able to grow without this particular form of assistance. This bodes well for the future prospects of minority entrepreneurship. Notably, as minority populations continue to grow in the USA, we suggest that biases will be reduced and the product market access of minority firms will improve. Accordingly, there will be less need for status leveraging.

In addition to contributing to the literature on minority entrepreneurship, our work also highlights the importance that perceptions and their biases have on actual economic outcomes. Within this context, albeit not explicitly discussed throughout the paper due to space constraints, our work complements and expands existing research which has taken a behavioral economics approach to discuss the relationship between decision making, saliency and availability biases, and

minority status (Koellinger and Minniti 2006; Koellinger et al. 2013).

Of course, our work is not without limitations. First, all participants in the qualitative interviews were based in the greater Los Angeles metropolitan area. Thus, our findings may not be generalizable to the extent that the Los Angeles area is not representative of the national economy or characterized by idiosyncratic features. Second, our archival analysis was limited to those firms included on the Inc. 5000 lists. The Inc. selection process is based primarily on the annual percentage growth rate. Other firms might have been included if other metrics were used. Third, we examined only firms included in one of the following top ten Inc. 5000 lists—top ten Black, top ten Hispanic, or top ten overall. Any systematic patterns involving lower ranked firms would not be included in our sample and could affect the generalizability of our results as well. Finally, although theoretical saturation was achieved, a larger number of interviews may provide additional information on some aspect of status leveraging.

Our study also provides venues for further research. A number of women entrepreneurs in our sample described vivid examples of gender discrimination, and these entrepreneurs have the option of having their firms certified as women owned businesses. Thus, an interesting extension of our paper could focus on women entrepreneurs and examine the extent to which women entrepreneurs also utilize status leveraging. Further research could also investigate those minority entrepreneurs who pursue other types of opportunities. In fact, some minority high growth entrepreneurs in our sample chose to cloak their minority status. Others employed a niche model (Rusinovic 2008) in which non-ethnic products or services (e.g., insurance, legal services, etc.) are provided to an ethnic clientele. Future research could examine the information bases and access to resources possessed by the entrepreneurs who made these choices, as well as their motivations and backgrounds. Another question to consider would be why do so few high growth minority firms focus on private households, especially since this appears to be a very lucrative market for White entrepreneurs. An in-depth analysis of this issue could provide more fine-grained insights into the preferences of this class of resource providers and guidance for minority entrepreneurs who would like to serve these customers. Finally, it would be desirable to complement our qualitative approach with empirical evidence based on alternative approaches and,

given the behavioral and decision making aspects of the phenomenon we study, an experimental study in a controlled setting.

A better understanding of how preferential procurement programs expand product market access for minority entrepreneurs has also a number of practical and policy applications. By providing a clearer understanding of the nature of the barriers minority entrepreneurs face, agencies charged with promoting minority business may be able to design potentially effective procurement programs (Bates 2002; Nwankwo et al. 2010), thereby avoiding the phenomenon of Blacks and Hispanics trying more, but succeeding less than other groups (Koellinger and Minniti 2006). In addition, our findings suggest that current government diversity mandates may produce desirable outcomes. In spite of altering incentives in ways that can be costly and economically inefficient as demonstrated by Marion (2007, 2009), these mandates may open up new markets for minority entrepreneurs and yield new suppliers for participating corporations. These programs may be also a vehicle to mobilize large quantity of otherwise underused resources.

The expanded product market access for minority entrepreneurs also translates into more diversified supply chains and increased engagement with Black and Hispanic communities for participating corporations. These long-term economic rationales are particularly important for corporate sector programs and are described as the “business case” for preferential procurement programs (Shah and Ram 2006; Sonfield 2014). Corporations acquire greater flexibility in their operations with more diversified supply chains because including smaller businesses allows them to adjust the flow of their production more easily (Shah and Ram 2006). In addition, corporations are increasingly engaging with Black and Hispanic entrepreneurs to raise the purchasing power of those communities and to cultivate current and future consumers (Shah and Ram 2006; Sonfield 2014).

7 Conclusion

We expect privileged individuals to leverage their status to produce outcomes favorable to them. The idea that individuals who are generally disadvantaged might leverage their status to generate favorable outcomes such as improved product market access is certainly less intuitive. Yet, we have argued for, and provided evidence that, the market can provide individuals with

opportunities for leveraging such low status through preferred procurement programs. Just as financial arbitrageurs profit from unequal prices between markets, status leveraging allows minority entrepreneurs to benefit from their minority status despite facing unequal access to resources resulting from racial bias. These entrepreneurs do so by transforming their membership in a particular group into a competitive advantage. When they are able to do so beyond a critical threshold level, their ventures emerge as high growth firms. While we limit our discussion to the case of preferential procurement programs for minority entrepreneurs in the USA, we believe the concept has broad applicability with useful practical implications deserving of further study.

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