

Racial Diversity in Founding Ownership Teams and Business Performance in New Firms

Authors : Cedric Herring, Loren Henderson, Hayward Derrick Horton, Melvin Thomas

Abstract : This paper asks whether business startups benefit from having racially diverse founding ownership teams. Using nationally representative data from the Kauffman Firm Survey, the analysis examines the relationship between the racial diversity of the founding ownership teams of business startups and their net worth, revenue, debt, and profits. The analysis shows that, net of firm characteristics and human capital characteristics, startups with racially diverse founding teams have higher net worth, lower debt, and greater profits than their non-diverse counterparts. The racial diversity of ownership teams is not, however, related to startup firms' revenues, net of other factors. The implications of these findings are explored.

Keywords : racial diversity, business startups, founding ownership teams, diversity and business performance

Conference Title : ICEDI 2015 : International Conference on Equality, Diversity and Inclusion

Conference Location : Paris, France

Conference Dates : June 25-26, 2015