



Opportunity or Necessity? Perceptions of Entrepreneurship in Baltimore

WEBSITE: <https://21cc.jhu.edu/baltimore-area-survey/>

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1. Some recent examples of this include initiatives and reports from **Baltimore Together**, **UpSurge**, **Baltimore BASE Network**, the **Downtown Partnership's BOOST Program**, and the **Black Butterfly Network**, among others.

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1. Introduction

With high-tech, knowledge-intensive industries leading the nation's economic progress, entrepreneurship is considered as the major driver for regional economic development (Acs & Armington, 2006). Entrepreneurship may also lead to or exacerbate economic inequality (Lee & Rodríguez-Pose, 2012). As regional economic development organizations in the Baltimore area consider entrepreneurial investment, particularly to economic development goals, the importance of equitable and inclusive local entrepreneurship is central to the mission of many local economic development support and advocacy organizations.¹ Knowing how many residents in the Baltimore area identify as entrepreneurs and who has a desire to participate in the Baltimore area entrepreneurial economy would help bankers, policy makers, and other community groups connect residents to opportunity. In this report, we provide a basis for understanding who is and would like to be involved in the entrepreneurial economy in the Baltimore area and how residents perceive local entrepreneurial opportunity by analyzing a series of questions about entrepreneurship from the 2023 Baltimore Area Survey. The questions asked about entrepreneurial self-identification, entrepreneurial opportunity, and the best path to financial success (between entrepreneurship and employment). We examine responses to these questions across race, class, and age of respondents.

The responses to the survey yielded a striking pattern across demographic categories that suggests that entrepreneurship in Baltimore may reflect what is called necessity entrepreneurship rather than opportunity entrepreneurship. While opportunity entrepreneurs are “pulled” into entrepreneurship by the attraction of lucrative market opportunities, necessity entrepreneurs are typically “pushed” into entrepreneurship because desirable livelihood alternatives do not exist for them in the local area (O'Donnell et al., 2024: 45).

Our findings indicate the prevalence of necessity entrepreneurship in the Baltimore area. Instead of opportunity-driven entrepreneurship, the survey data suggest that the currently prevalent type of entrepreneurship in the area is more necessity-based, wherein less-educated and low-income residents, many of whom are Black, seem to be pushed into entrepreneurship. This is likely due to the lack of desirable career

opportunities and family-supporting jobs from existing businesses that could yield greater income than starting a new business. In the absence of livable-wage job opportunities, people turn to entrepreneurship out of necessity to make some income, but oftentimes income from entrepreneurship is more uncertain than what is available from a good job at an established business.

2. Data

This research brief uses data from the 2023 Baltimore Area Survey. The responses come from 1,352 Baltimore-area respondents, 818 from Baltimore City and 534 from Baltimore County. The data and the findings we report here are weighted to be representative of the adult, English-speaking population of Baltimore City and Baltimore County. The overall margin of error for the sample is $\pm 4.2\%$.

We analyzed three questions asked in the survey:

- *Do you think of yourself as an entrepreneur?* Respondents could answer “Yes” or “No”.
- *If you or someone you know wants to become an entrepreneur in the Baltimore area, how much opportunity do you think there is?* Respondents could answer “A great deal”, “A moderate amount”, “A little”, or “None at all”.
- *Which do you think is a better path to financial success: being an entrepreneur or working for an established business?* Respondents could answer “Being an entrepreneur”, “Working for an established business”, or “They are equally good paths to success”.

3. Findings

The findings are split into two main sections. In the first section, we analyze responses to the first question on entrepreneurial self-identification and look at differences by age, race, income, and education and compare these demographics to national estimates. In the second section, we analyze responses to the questions about entrepreneurial opportunity and the better path to financial success.

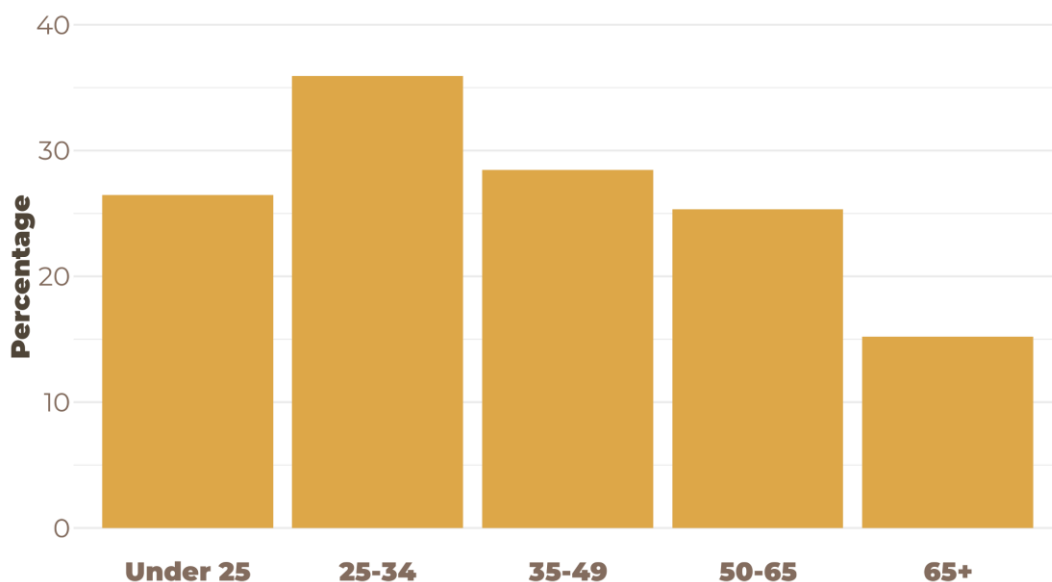
Who identifies as an entrepreneur?

Overall, a little more than a quarter of survey respondents (26.3%) identified as entrepreneurs. Identification varied by age, peaking in the 25-34 age group and then progressively declining among older residents. Figure 3.1 reflects this trend.

Figure 3.1:
Entrepreneurial
identification by age

Entrepreneurship Varies by Age

Percent of Baltimore-area residents that identify as an entrepreneur by age



35.4% of Black respondents identify as entrepreneurs, which is significantly higher than the proportion for White respondents (20.1%)

Identifying as an entrepreneur was also more likely among residents with less education, lower incomes, and among Black residents. While 30.4% of residents with less than an associate's degree claimed an identity as an entrepreneur, only 21.5% of residents who held an associate's degree or higher did so, though we cannot rule out that the difference may have been due to statistical chance. Entrepreneurship identification also varied across income-levels. We compared those who made less than \$70,000 to those who made more because \$70,000 is approximately the median income in the Baltimore area.² Among residents with less than \$70,000 in annual income, 31.4% self-identified as entrepreneurs while only 19.7% did so among high-income residents who made more than \$70,000 in annual income. Lastly, 35.4% of Black respondents identify as entrepreneurs, which is significantly higher than the proportion for White respondents (20.1%).

2. In 2023, the median household income in Baltimore City was estimated at \$58,616 and in Baltimore County was estimated at \$86,807. US Census Bureau, Small Area Income and Poverty Estimates.

Figure 3.2: Comparing percentages of respondents who self-identify as entrepreneurs across race, income, and educational attainment

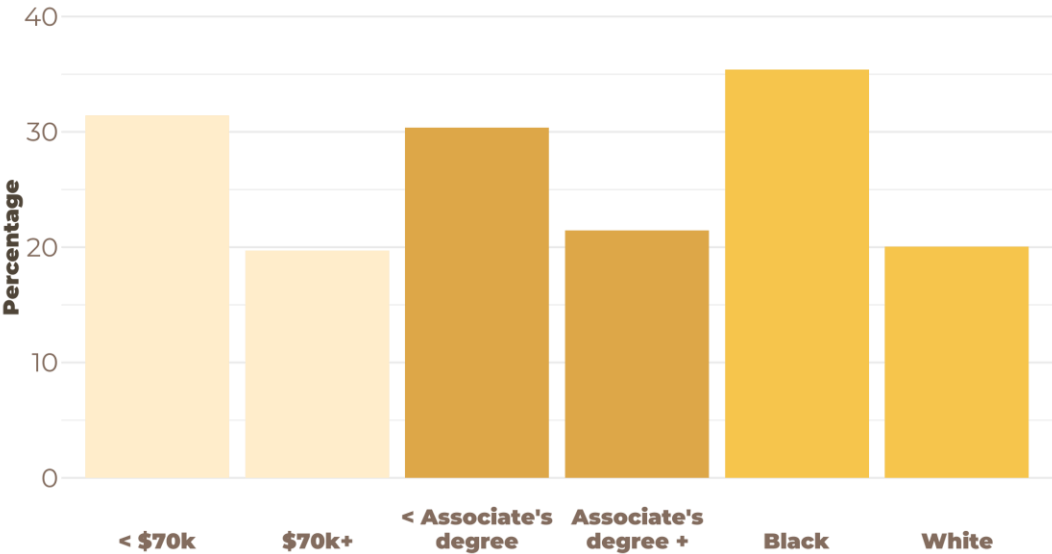
Among residents with less than \$70,000 in annual income, 31.4% self-identified as entrepreneurs while only 19.7% did so among high-income residents who made more than \$70,000 in annual income

Table 3.1: Entrepreneur demographics and population level demographics

3. We were not able to accurately estimate the share of Baltimore’s Hispanic or Latino population that identify as entrepreneurs due to the small number of respondents.

Who identifies as an entrepreneur?

Percent of Baltimore-area residents that identify as an entrepreneur by income, education, and race



How does Baltimore compare to the nation?

To compare the Baltimore area to the nation, we use data from the Kauffman Foundation’s long running Trends in Entrepreneurship report series. The series offers estimates of the total share of new entrepreneurs by age, race, and education, defining new entrepreneurs as individuals who start a business each month, averaged over an entire year. This means it is not a direct comparison with our Baltimore area estimates, as we do not limit entrepreneurial self-identification to only those who successfully started a new business, but it is the best comparison available from national data.

	National Entrepreneurs (Kauffman)	National Population (Census)	Baltimore Entrepreneurs (BAS)	Baltimore Population (Census)
% Black	10%	13.7%	58.1%	43.8%
% White	55%	75.3%	36.5%	47.4%
% Associate's degree or higher	56.9%	45%	37.1%	48%

Except for age, the demographic profile of a typical Baltimore entrepreneur differs from a typical American entrepreneur. In their 2021 national estimates, the Kauffman Foundation found that 10% of new entrepreneurs were Black and 55% were White. Compared to the national population, this means that Black entrepreneurs make up slightly less than their proportional share of the population of 13.7%, while White entrepreneurs are over 20 percentage points below their proportional share of the population. Hispanic or Latino entrepreneurs made up a higher share of new entrepreneurs than their proportional share of the population would predict while the share of Asian new entrepreneurs matched that of the proportional share of the national population (Kauffman, 2022).³

Among residents with less than \$70,000 annual income, 31.4% self-identified as entrepreneurs while only 19.7% did so among high-income residents who made more than \$70,000 in annual income

Our Baltimore Area Survey found that 58.1% of self-identified entrepreneurs were Black and 36.5% were White. In Baltimore City and Baltimore County, Black residents constitute 43.8% of the population and White residents constitute 47.4% of the population. As such, Black Baltimoreans are about 15 percentage points more likely to identify as entrepreneurs than their proportional population share would suggest, while White Baltimoreans are six percentage points less likely to identify as an entrepreneur than their proportional share of the population would suggest. These differences could be due to the fact that Black entrepreneurs are less likely to receive funding than White entrepreneurs, making them less likely to show up in the Kauffman Foundation survey due to a lack of access to capital to start a business (Federal Reserve Banks, 2023).

In terms of education, national estimates from the Kauffman Foundation find that 56.9% of new entrepreneurs have an associate's degree or higher, which is higher than their proportional share of the total national adult population of 45% (Kauffman, 2020). In the Baltimore area, the reverse is true. While about 48% of adults have attained an associate's degree or higher, 37.1% of Baltimore area entrepreneurs have an associate's degree or higher. This means that entrepreneurs in Baltimore are almost 20 percentage points less likely to have an associate's degree or higher than the national average, and that high education entrepreneurs are overrepresented in the nation but underrepresented in Baltimore.

While the broader world of entrepreneurship is disproportionately represented by highly educated and non-Black individuals, Baltimoreans who self-identify as entrepreneurs diverge from this stereotype: Black Baltimore-area residents are overrepresented among self-identified entrepreneurs while Baltimore-area residents with higher levels of education are underrepresented.

Perceptions of entrepreneurial opportunity

In addition to entrepreneur self-identification, the survey included two other questions: 1) the degree to which the respondent perceives entrepreneurial opportunities in the Baltimore area and 2) the degree to which the respondent believes that entrepreneurship is a better path to financial success than working for an established business. Regarding the first question on entrepreneurial opportunities, about 8% of respondents report seeing no entrepreneurial opportunity at all, about 38% report seeing “a little” entrepreneurial opportunity, about 43% report seeing a “moderate amount” of entrepreneurial opportunity, and about 12% report seeing a “great deal” of entrepreneurial opportunity. Regarding the second question on entrepreneurship as a path to financial success, about 25% of respondents report that working for an established business is a better path for success, about 23% report that being an entrepreneur is a better path, and about 52% report equal faith in both paths. When we break down these responses across demographic groups, the results suggest the possible prevalence of necessity-driven entrepreneurship as opposed to opportunity-driven entrepreneurship in the Baltimore area. Table 3.2 provides detailed results.

Table 3.2: Relationship between demographic variables and perceptions of entrepreneurship

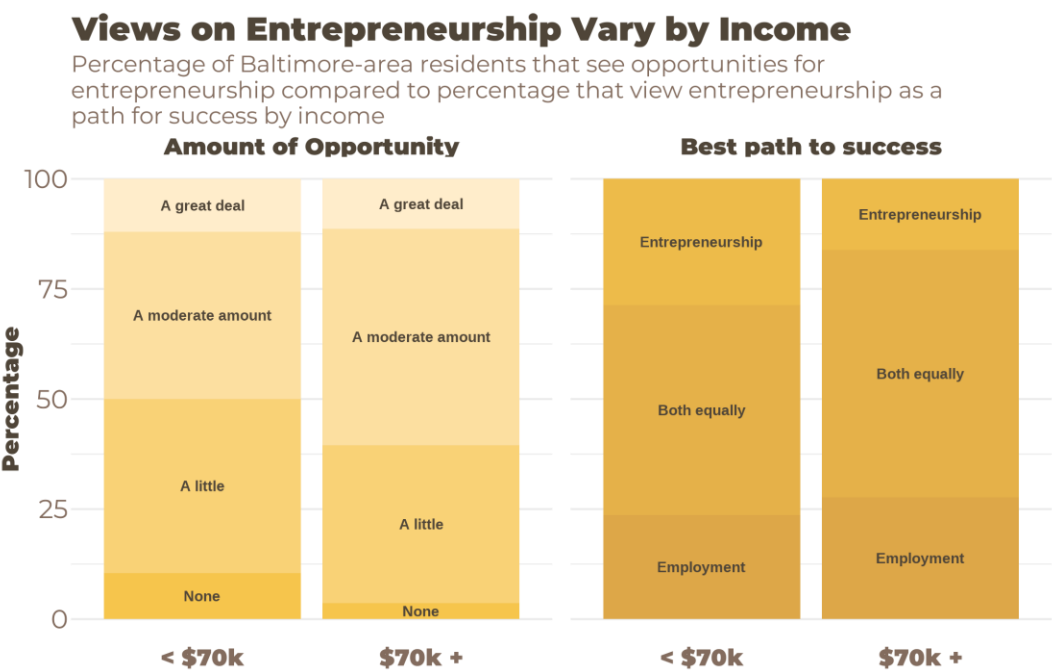
	Education	Income	Race
Perception of entrepreneurial opportunities	Significantly associated ¹ More educated residents more frequently report perceiving entrepreneurial opportunities	Significantly associated ² Higher-income residents more frequently report perceiving entrepreneurial opportunities	Significantly associated ³ A statistically significantly greater proportion ⁴ of Black residents (12 percent) than White residents (5 percent) report perceiving no entrepreneurial opportunity at all.
Perception of entrepreneurship as a better career path than employment	Negative ⁵ Less-educated residents more frequently report that entrepreneurship is a better path for financial success than employment	Negative ⁶ Lower-income residents more frequently report that entrepreneurship is a better path for financial success than employment.	Negative ⁷ Black residents more frequently report that entrepreneurship is a better path for financial success than employment

1 p < 0.001
2 p = 0.003
3 p = 0.01
4 p = 0.05
5 p = 0.003
6 p = 0.003
7 p < 0.001

Perceiving entrepreneurship as a better career path is statistically significantly associated with income, education, and race. More-educated and higher-income residents more frequently report that working for an established business is the better path for success than entrepreneurship. Black residents more frequently report, instead, that entrepreneurship is the better path for success. Meanwhile, perception of entrepreneurial opportunities is also statistically significantly associated with income, education, and race. Here, however, more-educated and higher-income residents report seeing more entrepreneurial opportunities in the city, and Black residents more frequently report seeing no entrepreneurial opportunities at all when compared to their white counterparts. Together, these findings indicate that while more-educated, higher-income, and White respondents may perceive more entrepreneurial opportunities in the city, they predominantly view employment at an existing business over entrepreneurship as a better path to financial success. In contrast, less-educated, lower-income, and Black residents perceive significantly less entrepreneurial opportunity in Baltimore, but they still believe that entrepreneurship is a better path than getting a job in an established business. Figure 3.3 shows this relationship across income levels for both questions.

Less-educated, lower-income, and Black residents perceive significantly less entrepreneurial opportunity in Baltimore, but they still believe that entrepreneurship is a better path than getting a job in an established business.

Figure 3.3: Comparing perceptions of entrepreneurial opportunity and perceptions of entrepreneurship as a life path across income levels



This pattern shows that those who do not perceive entrepreneurial opportunities still believe that engaging in entrepreneurship generates more financial returns than currently available employment opportunities, indicating a high degree of necessity entrepreneurship. Meanwhile, those who do perceive entrepreneurial opportunities do not think they would generate better financial outcomes than existing employment opportunities, indicating that the marginal benefit of becoming an entrepreneur may be lower for those with high incomes because they already have well-paying jobs.

4. Conclusion

In our analysis of Baltimore Area Survey data on entrepreneurship, we find that one-quarter of Baltimore residents identify as entrepreneurs. Respondents who were younger, less-educated, low-income, and Black are each independently more likely to identify as entrepreneurs. Furthermore, while more-educated, higher-income, and White respondents perceive more entrepreneurial opportunities in Baltimore, they predominantly choose employment over entrepreneurship as a better path to financial success. In contrast, less-educated, lower-income, and Black residents perceive significantly less entrepreneurial opportunity in Baltimore, but they still believe that entrepreneurship is a better path than getting a job in an established business.

Our findings suggest that while more than a quarter of respondents identify as entrepreneurs, the type of entrepreneurship available now may be the kind to supplement income to help residents subsist rather than the kind that would significantly transform the area’s economy through innovation and growth. Evidence that most entrepreneurs would be born out of necessity entrepreneurship may be a symptom of a poor state of health for regional economic development and inequality in opportunity. According to research, necessity entrepreneurship tends to be more prevalent in locations where

people are dissatisfied with current employment due to the lack of job opportunities or the lack of support that mitigates hinderance to labor participation, such as family care requirements, poor access to jobs, and discrimination based on race/gender/ethnicity. This suggests that, although it is not directly supported by our data, the Baltimore area lacks stable and well-paying jobs for less-educated, lower-income, and Black residents, which consequently push them into necessity-based business creation.

The patterns this report uncovers can support efforts to understand how people make sense of the entrepreneurial economy in Baltimore and how they see themselves in that economy. Building on these results with interviews of residents who see themselves as entrepreneurs may identify areas of opportunity for strategic investment by foundations, regional banks, and state and local government to generate more opportunity entrepreneurship in the region. Residents who engage in entrepreneurship out of necessity should be supported with lending, grants, and technical support so that they can turn their business, born out of necessity, into a thriving small business that can become part of the backbone of a healthy Baltimore area economy. Furthermore, investing in necessity entrepreneurs can provide a pathway out of poverty for less-educated, lower-income, and Black residents who are not able to find lucrative employment opportunities at existing businesses. This multi-pronged approach could lead to Baltimore's economic development driven by a paralleled growth of both opportunity-driven and necessity-based entrepreneurs.

5. References

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What is Baltimore Area Survey?

The Baltimore Area Survey (BAS) is a new, annual, representative survey of Baltimore City and County residents being run by Johns Hopkins 21st Century Cities Initiative (21CC). The BAS will help scholars, community members, and policymakers learn more about the Baltimore area's strengths and challenges from residents. 21CC affiliated researchers will partner with Baltimore community leaders and policy makers to identify pertinent topics to study and then field a survey with questions on those topics to a representative address-based sample of Baltimore City and Baltimore County residents every year. Having the survey in the field on an annual basis means that policy makers and community leaders are never more than a year away from asking important questions and having timely data. The survey will also allow for measuring change over time and looking at perceptions and opinions before and after significant events.

Find out more:

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