

What are the main barriers to entrepreneurship in underrepresented groups?

Maria Wishart

Enterprise Research Centre and Warwick Business School

Maria.Wishart@wbs.ac.uk

SOTA Review No 40: June 2020

Background

The case for entrepreneurship as an enabler for individuals who experience disadvantage in accessing employment, to help them to transcend their circumstances, or as a tool to tackle discrimination and increase social inclusion has been made repeatedly (e.g., Alvord et al, 2004; De Clercq and Honig, 2011; Fairlie, 2005). Individuals who may experience disadvantage include migrants, ethnic minorities, women, people who identify as having disabilities and people with low educational attainment (Blackburn and Smallbone, 2015). However, research indicates that these groups can also experience significant barriers to setting up and sustaining their own businesses, and this is attributed to a range of factors including lack of skills and experience, discrimination, difficulty accessing finance and poor human and social capital (Halabisky, 2015; Fairlie, 2005). Human capital is defined as an individual's personal skills knowledge and experience, and social capital as the resources that an individual is able to access through their personal networks (Halabisky, 2015). This review considers research that explores the evidence on the main barriers that are encountered by aspirant entrepreneurs from disadvantaged groups attempting to establish and run their own businesses. Some barriers to entrepreneurship appear to be experienced in common by all or most groups, but others are specific to certain types of individuals (OECD/EU, 2017).

Evidence

Research in this area has tended to focus primarily on exploring and elucidating the experiences of particular groups, such as migrants, or ethnic minority individuals, rather than on the barriers to entrepreneurship themselves. Some papers have extended their focus to tackle obstacles to entrepreneurship in a range of underrepresented groups. Analysis of this body of research allows us to discern a range of barriers, and a key emerging theme relates to the way in which different groups appear to experience some common and some unique barriers. Four common barriers to entrepreneurship can be identified – inability to access finance, lack of human capital, lack of social capital and discrimination. These have been shown to be experienced in different ways by different groups, as outlined in table 1 below.

Table 1: Barriers to entrepreneurship common to underrepresented groups

Barrier	Authors	Focus	Key findings
Inability to access finance	Drori and Lerner, (2002)	Migrant entrepreneurs	Language barriers and limited knowledge of financing
	Bruder et al (2011); Senik and Verdier, (2011)	Migrant and ethnic minority entrepreneurs	Poor integration into society, leading to unawareness of available sources of finance
	Manolova et al (2012).	Female entrepreneurs and finance	Women experience discrimination not in accessing finance <i>per se</i> , but in accessing finance on favourable terms
	Kitching (2014)	Disabled entrepreneurs	Disabled entrepreneurs struggle to gain access to start-up capital, often due to discrimination
	Irwin & Scott (2010)	Impact of personal characteristics, including education, on access to finance in entrepreneurs	Link between low education and inability to access finance, amplified in ethnic entrepreneurs
Lack of human capital	Beckinsale et al (2010)	Ethnic minority entrepreneurs	Low adoption of ICT skills
	Huang et al (2012)	Female entrepreneurs	Lack of management education and managerial skills impede female entrepreneurship
	Somerville and Sumption (2009)	Migrant entrepreneurs	Traditionally over represented in low-skill low-profit sectors
	Drakopoulou Dodd (2015)	Disabled entrepreneurs	Poor educational attainment can be linked to disabilities
	Fairlie (2007)	Entrepreneurs with low educational attainment	Negative correlation between education and business failure in entrepreneurs
Lack of social capital	Katila and Wahlbeck (2011); Ensign and Robinson (2011)	Ethnic minority entrepreneurs	Reciprocal obligations can drive recruitment from diaspora rather than wider community, restricting networks
	Uddin and Jamil (2015)	Disabled entrepreneurs	Disabled people often lack social networks which can facilitate start-ups
	Mendy and Hack-Polay (2018)	Migrant entrepreneurs	Over reliance on business practices from home countries
	Martin et al (2015)	Female entrepreneurs	Difficulty gaining acceptance in male dominated sectors & associated networks
Discrimination/bias	Ram and Jones (2008); Neville et al (2017)	Ethnic minority/migrant entrepreneurs	Negative stereotyping, discriminatory practices
	Shinnar et al (2017)	Women entrepreneurs	Socially prescribed gender roles mean women are less supported in entrepreneurship
	Cooney (2008); Pavey (2006)	Disabled entrepreneurs	Disabled people not seen by themselves and others as potential entrepreneurs

Extant research also highlights barriers which are unique to specific groups, and which can be characterised as derived from their particular characteristics or circumstances or both, as outlined in table 2 (below).

Table 2: Barriers to entrepreneurship experienced by specific underrepresented groups

Barrier	Authors	Focus	Key findings
Lack of knowledge of culture & institutions of host country	OECD/EU (2017)	Migrant entrepreneurs	Unaware of available support and resources for entrepreneurs
Benefits trap	Kitching (2014); Boylan and Burchardt (2002)	Disabled entrepreneurs	Prospect of losing benefits plus unawareness of in-work tax support discourages disabled entrepreneurs
Family circumstances	Manolova et al (2012); Thompson et al (2009)	Female entrepreneurs	Entrepreneurial aspirations can vary by a woman's life stage, as can risk aversion. Women more likely to need to combine family responsibilities and work
Embeddedness in community and family networks	Deakins et al (2007)	Ethnic minority entrepreneurs	Can restrict business ambitions to niche sectors and hamper efforts to access broader market sectors
Low educational attainment	Fairlie (2005)	Entrepreneurs with few formal qualifications	Link to lack of knowledge of opportunities, inability to access finance and low sector-specific human capital

Although studies to date have identified and explored a range of barriers to entrepreneurship in a number of underrepresented groups, highlighting the distinction between barriers that are common to all groups and those which are unique to specific groups demonstrates that the picture is complex. This complexity is something that has been largely ignored in research to date, and it merits further focus, not least because focusing on common issues can potentially impact on a broader group of aspirant entrepreneurs.

Summary and evidence gaps

Research on the theme of barriers to entrepreneurship in underrepresented groups has tended either to address all underrepresented groups together, or to identify and examine one source of disadvantage for a specific group. As well as potentially oversimplifying the issue, this means that researchers have not yet fully engaged with the idea that underrepresented groups may experience multiple sources of disadvantage – so-called double or even triple disadvantage (Azmat, 2013). Examining the sources and effects of multiple disadvantage is a potential area for future research which could help elucidate the challenges facing underrepresented groups.

Barriers can be related to a group's characteristics or their circumstances, or both. Exploring the interplay between the different barriers that underrepresented groups

face is another possible focus for future research. This requires a more nuanced approach to the design of research in this area.

It is also likely that although different groups may experience ostensibly the same barrier, for example, difficulty in accessing finance, they may experience it in different ways and for different reasons. Thus, policies and interventions designed to address a particular barrier may not be appropriate or effective for all groups. Research carried out by the ERC (2020) highlights variation in the way that different kinds of entrepreneurs are engaged by existing support services and networks, and indicates that delivery of interventions requires tailoring to local and sectoral circumstances. Research which seeks to examine potential interventions from the perspective of specific groups of entrepreneurs, for example studies that adopt an engaged scholarship approach (Ram et al, 2012), may thus also be timely and appropriate.

Sources

- Alvord, S. H., Brown, L. D., & Letts, C. W. (2004). Social Entrepreneurship and Societal Transformation. *Journal of Applied Behavioral Science*, 40(3), 260.
- Azmat, F. (2013). Opportunities or obstacles? *International Journal of Gender and Entrepreneurship*, 5(2), 198-215.
- Beckinsale, M., Ram, M., & Theodorakopoulos, N. (2010). ICT adoption and ebusiness development: Understanding ICT adoption amongst ethnic minority businesses. *International Small Business Journal*, 29(3), 193-219.
- Blackburn, D., & Smallbone, D. (2015). Sustaining self-employment for disadvantaged entrepreneurs - A background paper for the OECD Centre for Entrepreneurship, SMEs and Local Development.
- Boylan, A., & Burchardt, T. (2002). Barriers to self-employment for disabled people. Report prepared for the Small Business Service.
- Bruder, J., Neuberger, D., & Rätke - Döppner, S. (2011). Financial constraints of ethnic entrepreneurship: evidence from Germany. *International Journal of Entrepreneurial Behavior & Research*, 17(3), 296-313.
- Cooney, T. (2008). Entrepreneurs with Disabilities: Profile of a Forgotten Minority. *Irish Business Journal*, 4(1), 119-129.
- De Clercq, D., & Honig, B. (2011). Entrepreneurship as an integrating mechanism for disadvantaged persons. *Entrepreneurship and Regional Development*, 23(5-6), 353-372.
- Deakins, D., Ishaq, M., Smallbone, D., Whittam, G., & Wyper, J. (2007). Ethnic Minority Businesses in Scotland and the Role of Social Capital. *International Small Business Journal*, 25(3), 307-326.
- Drakopoulou-Dodd, S. (2015). Disabled entrepreneurs: rewarding work, challenging barriers, building support. Policy brief. Hunter centre for entrepreneurship. University of Strathclyde.
- Drori, I., & Lerner, M. (2002). The Dynamics of Limited Breaking Out: The Case of the Arab Manufacturing Businesses in Israel. *Entrepreneurship and Regional Development*, 14(2), 135-154.
- Ensign, P. C., & Robinson, N. P. (2011). Entrepreneurs because they are Immigrants or Immigrants because they are Entrepreneurs?: A Critical Examination of the Relationship between the Newcomers and the Establishment. *The Journal of Entrepreneurship*, 20(1), 33-53.
- ERC. (2020). Building resilience in under-represented entrepreneurs: A European comparative study.

- Fairlie, R. (2005). Entrepreneurship among disadvantaged groups: An analysis of the dynamics of self-employment by gender, race, and education. In S. Parker, Z. Acs, & D. Audretsch (Eds.), *Handbook of entrepreneurship*. Dordrecht: Kluwer Academic.
- Fairlie, R. W. (2007). Entrepreneurship among Disadvantaged Groups: Women, Minorities and the Less Educated. In S. Parker (Ed.), *The Life Cycle of Entrepreneurial Ventures* (pp. 437-475). Boston, MA: Springer US.
- Halabisky, D. (2015). *Entrepreneurial Activities in Europe - Sustaining Inclusive Entrepreneurship*. OECD Publishing.
- Huang, K.-H., Mas-Tur, A., & Yu, T. H.-K. (2012). Factors affecting the success of women entrepreneurs. *International Entrepreneurship and Management Journal*, 8(4), 487-497.
- Irwin, D., & Scott, J. M. (2010). Barriers faced by SMEs in raising bank finance. *International Journal of Entrepreneurial Behaviour & Research*, 16(3), 245-259.
- Katila, S., & Wahlbeck, Ö. (2011). The role of (transnational) social capital in the start-up processes of immigrant businesses: The case of Chinese and Turkish restaurant businesses in Finland. *International Small Business Journal*, 30(3), 294-309.
- Kitching, J. (2014). *Entrepreneurship and self-employment by people with disabilities Background Paper for the OECD Project on Inclusive Entrepreneurship*
- Manolova, T. S., Brush, C. G., Edelman, L. F., & Shaver, K. G. (2012). One Size Does Not Fit All: Entrepreneurial Expectancies and Growth Intentions of US Women and Men Nascent Entrepreneurs. *Entrepreneurship and Regional Development*, 24(1-2), 7-27.
- Martin, L., Wright, L., Beaven, Z., & Matlay, H. (2015). An unusual job for a woman? Female entrepreneurs in scientific, engineering and technology sectors. *International Journal of Entrepreneurial Behaviour & Research*, 21(4), 539-556.
- Mendy, J., & Hack-Polay, D. (2018). Learning from failure: A study of failed enterprises of self-employed African migrants in the UK. *Journal of Small Business and Enterprise Development*, 25(2), 330-343.
- Neville, F., Forrester, J. K., O'Toole, J., & Riding, A. (2017). 'Why Even Bother Trying?' Examining Discouragement among Racial-Minority Entrepreneurs. *Journal of Management Studies*, 55(3), 424-456.
- OECD/European Union. (2017). *The Missing Entrepreneurs*: OECD Publishing.
- Pavey, B. (2006). Human capital, social capital, entrepreneurship and disability: an examination of some current educational trends in the UK. *Disability & Society*, 21(3), 217-229.
- Ram, M., & Jones, T. (2008). *Ethnic minorities in business*. A SERT publication.
- Ram, M., Trehan, K., Rouse, J., Woldesenbet, K., & Jones, T. (2012). *Ethnic Minority Business Support in the West Midlands: Challenges and Developments*. *Environment and Planning C: Government and Policy*, 30(3), 504-519.
- Senik, C., & Verdier, T. (2011). Segregation, Entrepreneurship and Work Values: The Case of France. *Journal of Population Economics*, 24(4), 1207-1234.
- Shinnar, R. S., Hsu, D. K., Powell, B. C., & Zhou, H. (2017). Entrepreneurial intentions and start-ups: Are women or men more likely to enact their intentions? *International Small Business Journal*, 36(1), 60-80.
- Somerville, W., & Sumption, M. (2009). *Immigration in the United Kingdom, The Recession and beyond*. The Equality and Human Rights Commission.
- Thompson, P., Jones-Evans, D., & Kwong, C. (2009). Women and Home-based Entrepreneurship: Evidence from the United Kingdom. *International Small Business Journal*, 27(2), 227-239.
- Uddin Ahmar, M., & Jamil, S. A. (2015). Entrepreneurial Barriers Faced by Disabled in India. *Asian Social Science*, 11(24).

About the author



Maria Wishart is Research Fellow - Business Resilience at Enterprise Research Centre and Warwick Business School. Following her undergraduate degree and a seventeen-year career in industry, Maria returned to academia, completing an MSc in Research Methods, an MA in Philosophy and a PhD in Identity and Ethics. She can be contacted at Maria.Wishart@wbs.ac.uk

Other SOTA Reviews are available on the ERC web site www.enterpriseresearch.ac.uk. The views expressed in this review represent those of the authors and are not necessarily those of the ERC or its funders.

