

## **Enterprise Education and Research Project Fund: LSBU and UAL**

### **Literature Review: Harnessing personal values and motivations to increase the effectiveness and inclusiveness of social enterprise education**

The following paper provides background research and current thinking, examining the common challenges and opportunities experienced by entrepreneurs from underrepresented groups. This is intended as a guiding document to inform a joint project led by University of the Arts London (UAL) and London South Bank University (LSBU), funded by EEUK, which explores how harnessing personal values and motivations can be used to increase the inclusiveness of enterprise education.

Although the project examines the experience of those from underrepresented groups (taking the definition used by the OfS) much of the literature reviewed considers the experience of those from ethnic minority groups and the challenges of intersectional disadvantage. However, when referencing the term 'BAME' and 'ethnic minority groups' we need to acknowledge that 'ethnic groups are never homogenous and have become super-diverse through evolving patterns of migration' (Ram et al, 2012). As researchers we therefore need to be aware of the reductive nature of grouping people as 'minority ethnic', as the term 'unhelpfully blends ethnicity, geography, nationality and in doing so erases identity and reduces people to an "other" (incarts, 2020).

#### **Unemployment, Opportunity, and Entrepreneurship**

Current statistics suggest that racial inequality in the labour market continues to persist in the UK with higher levels of unemployment and over-representation in low-paid sectors and differentiating graduate outcomes for those from BAME communities (McGregor-Smith, 2020).

According to The Race Disparity Audit (2017), despite improvements in employment outcomes over the last two decades there remains an 11.8% employment gap between people who identify as white British and other ethnic minority groups living in the UK. Furthermore, a report by the Joseph Rowntree Foundation (2015) indicates that 41% of black African graduates, 39% of Bangladeshi graduates and 36% of Pakistani graduates are more likely to be overqualified for their roles, compared with 25% of white graduates.

In recent decades entrepreneurship has frequently been identified as playing a critical role in economic and societal development, with researchers exploring the correlation between unemployment and increased levels of entrepreneurship amongst ethnic minority groups.

Scholars have argued that structural disadvantage in the labour market can act as a catalyst to motivate people to initiate business startups. Entrepreneurship therefore enables individuals who experience economic disadvantage to access employment and to transcend their circumstances (Smallbone, D. & Welter, F, 2003, Wishart, 2020; Roberts, et al, 2020).

### **Challenges to Accessing Financial Capital and Business Support**

Despite Ethnic Minority Business (EMB) contributing £25 billion to the UK economy (Roberts et al, 2020) research from the Global Entrepreneurship Monitor (2019/20), which provides insights into the different stages of individuals' entrepreneurial journey, indicates that those from a BAME background reported a high rate of entrepreneurial intention which does not appear to convert into subsequent entrepreneurial activity.

Although there have been several initiatives set up to support entrepreneurship (O'Brien & Cooney, 2019), research indicate that business support agencies such as enterprise agencies have failed to engage with BAME groups (Bates, 1995; Collins, 2003; Deakins, Ram, & Smallbone, 2003; Fadahunsi, Smallbone, & Supri, 2000; Kloosterman, 2003; Ram & Jones, 2008; Ram & Smallbone, 2003 Cited in: O'Brien & Cooney, 2019).

Research suggests poor engagement with business services have been attributed to cultural and language differences, an absence or low level of trust in officialdom, particularly by new immigrant groups, and a limited experience of engagement with mainstream services (Blackburn et al, 2008).

In the UK, a recent study identifying the opportunities, challenges and support needs of disabled and ethnic minority innovators found that only 32% of the employees surveyed stated that they had the confidence to start their own business and 58% found the idea too daunting. The report highlighted that the top 4 challenges and barriers to setting up their own business were: lack of a steady income (79%); lack of money (75%); fear of getting into debt (73%); and fear of leaving a

steady job (73%). Furthermore, 56 percent of BAME business owners cited lack of finance and capital as a barrier to innovating (Vorley et al, 2019).

Barriers to accessing financial capital and the impact this has on EMBs has been unpacked in a recent report by Natwest (2020). Findings from the report indicate that many individuals within BAME communities experience disadvantage when it comes to financial security. Compared to white people, BAME individuals encounter higher barriers when accessing credit, experience a higher prevalence of financial instability and have a lower understanding of financial products and services. Financial insecurity is compounded by a lack of savings with research suggesting that at least 60% of the BAME community have no savings compared to only 33% of white people. 'Discouragement', a situation where a firm would like to apply for finance but does not for fear of rejection, was found to be highest amongst ethnic minority owned businesses.

Research also suggests that women from ethnic minority groups face additional disadvantage and discrimination. The few studies that exist on BAME female business owners suggest that, in terms of entrepreneurial resources, women are more disadvantaged than men and minority women more disadvantaged than white women (Azmat, 2013). A study by Carter & Rosa (1998) on the financing of male and female owned businesses uncovered significant differences in the amount of start-up capital available, with men in the business start-up process entering business with considerably more capital than women. This places women at a disadvantage as lack of sufficient startup capital can detrimentally affect business growth and expansion. Fielden & Dawe's (2004) study also found that female entrepreneurs from socially excluded backgrounds did not feel comfortable accessing mainstream business advice and support, particularly when the provision was centrally located rather than community based.

### **Social Capital and Entrepreneurship**

A lack of social capital has often been cited as a common barrier to entrepreneurship, with deficits in the level and type of social capital and social networks in disadvantaged communities being considered as barriers to entrepreneurship (Birch & Whittam, 2008; Dodd & Keles, 2014; OECD, 2017; Williams, Huggins, & Thompson, 2017 Cited in: Deakins & Ishaq, 2003). Social capital is defined as 'features of social life networks, norms and trust that enable participants to act together more effectively to pursue shared objectives' (Claridge, 2020). Community members' participation in community affairs, or 'civic engagement', is a key aspect of social capital because

their participation leads to various forms of collective action. Putnam (2000) differentiates between 'bridging' social capital - relationships and networks of trust and reciprocity between different groups and communities, which is outward looking and 'bonding' social capital - which refers to relationships and networks of trust and reciprocity that reinforce bonds and connections within groups, which is inward looking.

Goulbourne & Solomos, (2003) argue both social capital and ethnicity share an affinity with each other because both concepts focus on the collective and the social as opposed to the individual and autonomous. Similarly, both concepts reinforce notions of 'collective rights, responsibilities or obligations' that can be 'mobilised towards collective social action'. Peer support (bonding capital) is perceived as a valuable means of learning from one another, through sharing experiences, knowledge, and contacts (Vorley et al, 2019). An example of bonding capital with respect to entrepreneurship is the way in which the younger generation's 'exposure to successful entrepreneurs from their parents' generation, and within their ethnic enclave, increases the likelihood of young ethnic people starting their own businesses' (Fairchild, 2010: Cited in Wishart, 2020).

It has been argued that strong local ties form both a class and ethnic resource that serves to support EMBs and overcome challenges to accessing resources. Evidence suggests that 'grass-roots' initiatives within communities offers advantages compared with conventional approaches, in terms of identifying needs and delivering support (Blackburn et al, 2008). O'Brien & Conney (2019) argue that ethnic minority entrepreneurs are likely to be important in supporting a post COVID-19 recovery programme. They argue that 'the powerful social connections generated by EMBs in many localities can help generate inclusive and creative strategies for economic recovery.'

However, some scholars argue that strong social capital is not always a positive factor. Homogeneous business networks that are not representative of wider society have been perceived as limiting ethnic minorities entrepreneurs' access to social capital. Deakins et. al (2003) argue that, although strong ties within the family and informal networks (bonding social capital) can be beneficial in the start-up phase, 'this can act as a constraint for later entrepreneurial development where the aspirations of second and third generation EMB owners differ from their elder relatives'. They also argue that a bridge between local communities to

mainstream and institutional networks need to be established for agencies to support EMB development.

### **The Role of the 'Civic University'**

Although there is little research on how universities might support inclusive entrepreneurship initiatives, O'Brien & Conney (2019) argue that HEIs are uniquely positioned to support the development of enterprising behavior in under-represented communities. The concept of the entrepreneurial civic HEI acts as a suitable concept in defining the mission and culture of a HEI that supports under-represented communities in entrepreneurship (Goddard, 2009).

According to Nesta (2009) broader access to HEI entrepreneurial ecosystems can support the development of both human and social capital in underrepresented communities. The concept of the 'civic university' focuses on the ways in which an institution can connect to its local city area and local community and how this in turn can contribute to the economic, social and cultural developments of the communities. This also relates to the placemaking and local growth agenda as set out in universities Knowledge Exchange strategies.

The importance of engendering more inclusive entrepreneurship and facilitating the development of enterprise capabilities has become more pressing in the Covid era, where 18–24 year old's are more impacted by unemployment and self-employment and start-up is on the rise (The BBC, 2020). A recent survey conducted by the Resolution Foundation (2020) indicates that 19% of 18–24-year old's who were furloughed during lockdown were unemployed in September, and that this percentage increased to 22% amongst BAME people compared to 9% for the general population.

A recent study by Vorley et al (2019), indicates that 59% of BAME employees are interested in finding innovative solutions to disadvantages faced by minority ethnic groups in the UK, and significantly more BAME business owners cited 'making a difference to their community / society' as a reason for starting their own business, compared with the control group.

In view of this there arguably exists an opportunity to bring together the endeavors of the civic university and placemaking strategies with the expertise of EMBs to implement community and economic development activities, particularly in low-wealth communities. This could also include

utilising the skills and experience of underrepresented students who have a unique insight, expertise and knowledge of the issues faced in minority communities and the often-polarising effect of economic growth and neighbourhood transition. If this were to be executed well, HEIs could play a formative role in nurturing successful entrepreneurial models - generating new opportunities for individuals who often feel left behind.

This mapping exercise has outlined both the challenges and opportunities people from underrepresented backgrounds face regarding entrepreneurial output. The themes discussed not only reinforce the importance of this project in order to support the future generation of entrepreneurs, but they also highlight the limitations of more traditional approaches to entrepreneurial engagement which has alienated under represented groups. This paper underlines the need for HE institutions to consider more inclusive pedagogical approaches to entrepreneurial support which recognise and value individual's lived experiences and unique social capital.

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