



THE MISSING ENTREPRENEURS

VISIONNAIRES RESEARCH
MAY 2022

Inclusive, practical support
for new businesses



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THE MISSING ENTREPRENEURS

Introduction

Entrepreneurship is the well-spring of the economy. Every organisation was once a start-up and 40% of new jobs in the UK are created by new businesses every year. It's now easier to start a business than ever before and most people want to do just that; the desire to 'be my own boss' is particularly high among young people.

The problem is that too many people are missing out. That means we're all missing out, particularly now, when the economy needs all our business creativity to find new ways of adding value and earning a living.

We created Visionnaires in 2019 to solve this problem, by providing inclusive and practical support for anyone who wants to start a business or enter self-employment, working with Further Education colleges to reach under-represented communities. As a result two in three of our 500 participants so far are women, and one in three are from ethnic minorities.

While our programmes and community of support remove some of those barriers, we now want to go further. The OECD Report of 2021, entitled The Missing Entrepreneurs, found systemic barriers across OECD countries. We have used the same title to commission work on the UK entrepreneurship eco-system and put a spotlight on this crucial area of the economy.

We're grateful to Dr Irene Brew-Riverson and Dr Yaz Iyabo Osho who carried out this work, revealing remarkable findings from existing research and studies. For example:

- 64% of the population would like to start their own business but about half do not believe they will; getting access to support is one of the key challenges.
- In the UK only one in three entrepreneurs are women, and only three in 100 were featured in the Financial Times Top 100 entrepreneurs in 2021. The UK therefore loses over £200bn in the economy when benchmarked against Canada, Australia and the US.
- Many but not all ethnic minorities, women and those with disability face systemic disadvantage.
- For LGBTQ+ communities there is simply not enough data.

A key insight is that access to trustworthy support is one of the most important ingredients of success. Many entrepreneurs discover this the hard way, by failing, but many others lack the confidence and support even to start.

These findings set a challenge for all organisations helping new businesses. We should be accessible and win the trust of the communities who are missing out, so they can build the confidence and competence to succeed.

Pablo Lloyd OBE
CEO and Co-Founder
Visionnaires

“We created Visionnaires to solve a problem, by providing inclusive and practical support for anyone who want to start their own business or enter self-employment, working with further education colleges to reach under-represented communities.”

How important is entrepreneurship and self-employment to the UK economy?

Entrepreneurship in the United Kingdom

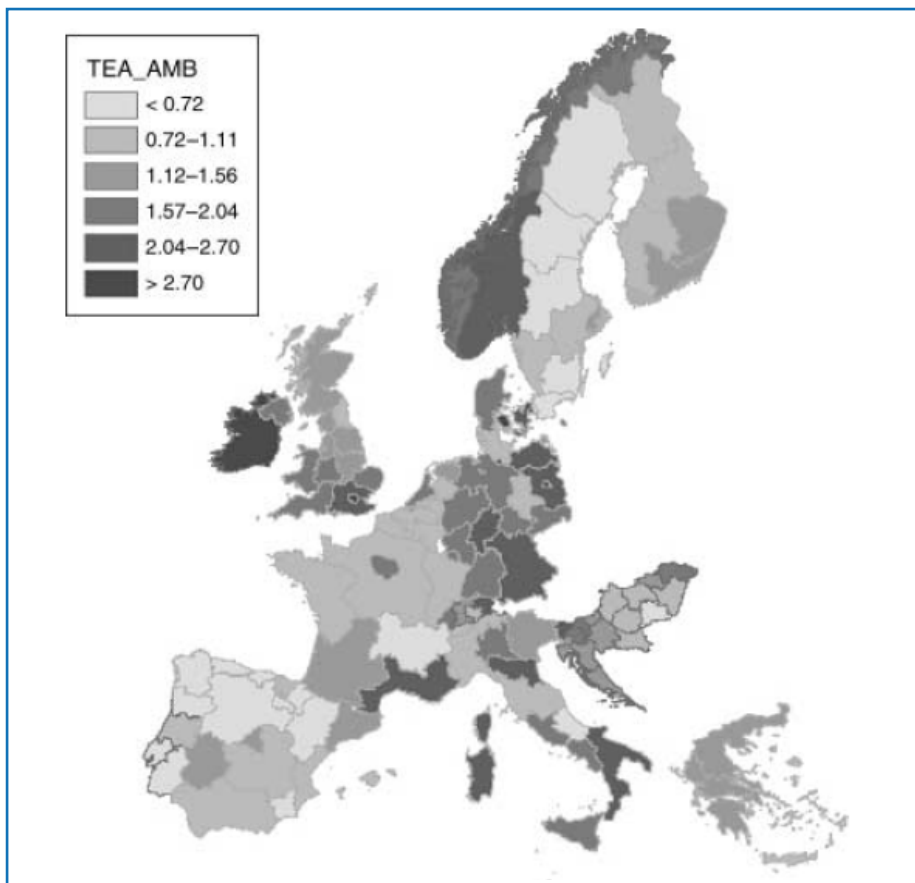
Entrepreneurship has been defined in a variety of ways that range from the Schumpeterian perspective of the breaking down of old ways of doing things in order to create new value to the more modern idea of entrepreneurship being about venture creation as well as personal growth and development (Lee and Rodriguez-Pose, 2021; Leonard and Wilde, 2019).

Although Gifford Pinchot first wrote about intrapreneurship or entrepreneurship within firms in 1985, the concept has become increasingly popular as we grapple with increasing complexity and dynamism. Intrapreneurship was ranked as the number one skill demanded by employers in 2020 (michaelpage.co.uk, 2020). When entrepreneurship is defined as the pursuit of opportunities without considering the constraining influence of the resources the entrepreneur currently has control of (Allen, 2016), this can occur within or outside established organisations. It is perceived to be a process that consists of the discovery of opportunities, the evaluation of their worth and the exploitation that may arise from the optimisation of existing methods or the recombination of resources (Greene, 2020). This can of course take place within established companies or through the establishment of start-ups or microenterprises.

Entrepreneurial activity

Estrin (2018) points to Dr Mark Sanders' (Associate Professor, Utrecht University School of Economics) assessment of the strong entrepreneurial ecosystem that exists in the UK. The UK's entrepreneurial ecosystem characterised by strong financial markets, liberalised markets, formidable protection of intellectual property rights and strong science and knowledge creation continues to stand it in good stead.

Compared to Europe, the United Kingdom has relatively high levels of entrepreneurial activity as shown in the lighter shades of the map of Europe and the UK overleaf (Bossman and Schutjens, 2007: 681).



Early stage entrepreneurship with innovation or employment growth ambition (TEA_AMB): prevalence rate (% in population between 18 – 64 years), 2001–2005.

Indicators on regional entrepreneurial activity come from the use of data from the Global Entrepreneurship Monitor. The indicators are derived from telephone surveys of random samples made up of a minimum of 2,000 adults in each country (Bosma and Schutjens, 2007). A cluster analysis based on the three indices of entrepreneurial activity, economic development and population density gives rise to four clusters in Europe.

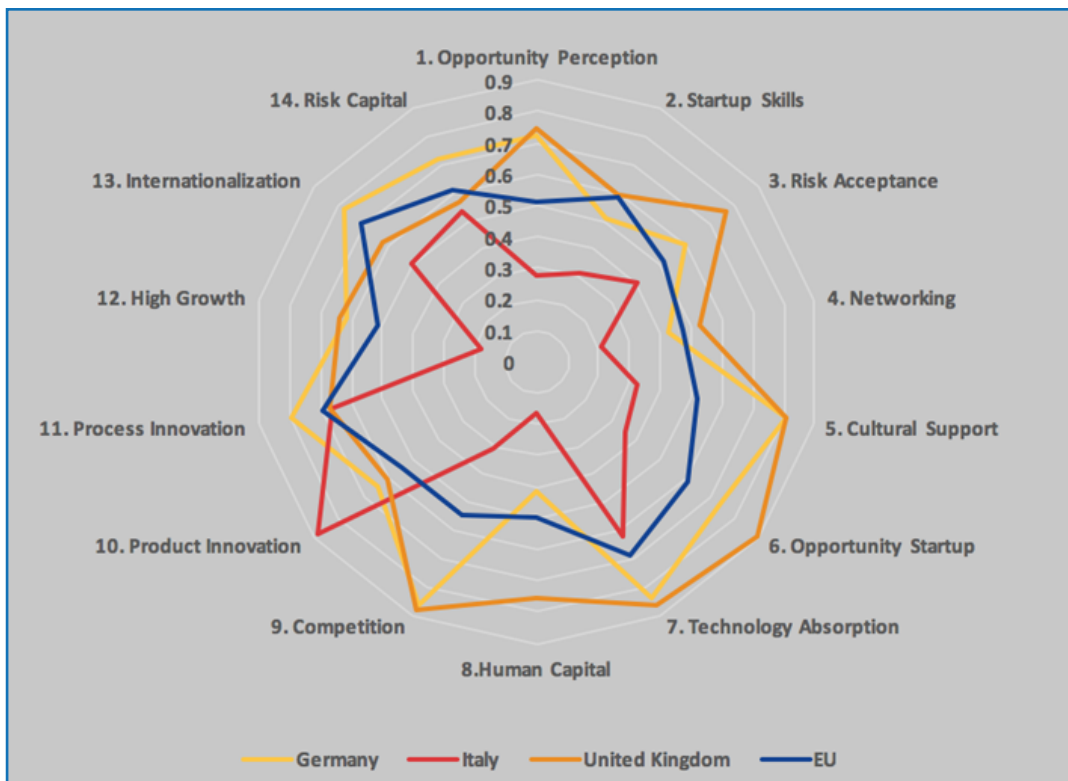
The first group is described as the non-dynamic regions that have low population density, average gross regional product, nascent entrepreneurial activity and low ambitious entrepreneurship. These regions are found in Belgium, Finland, Hungary, France, Germany, the Netherlands and in Merseyside, the North East, North West, Northern Ireland, Scotland and Yorkshire in the United Kingdom.

Group 2 is made up of the well-developed regions that have a high number of fledgling businesses, ambitious entrepreneurship and fairly high nascent entrepreneurial activity. The regions where this occurs include Jutland in Denmark, Ile de France in France, Stockholm in Sweden and in the UK, East Anglia, East Midlands, the South East, South West, Wales and West Midlands.

A high level of nascent entrepreneurship activity occurs in the lower income regions where there is a low level of baby business ownership and moderate ambitious entrepreneurship. Both population density and GRP are low. Regions like East Finland, Central Hungary, Sicilia in Italy, Attiki in Greece and parts of Croatia fall into this category.

The well-developed urban regions boast of high nascent entrepreneurial activity as well as high population density and high GRP. Brussels in Belgium, Copenhagen in Denmark, Berlin, Bremen and Hamburg in Germany, and Ireland and Greater London in the United Kingdom are categorised as belonging to this group.

The entrepreneurial ecosystem in the UK whilst strong, is unbalanced (Estrin, 2018) as highlighted below:



UK performance in the pillars of entrepreneurial activity compared to EU: Estrin, 2018

The particular strengths of the UK entrepreneurial ecosystem are in Opportunity Recognition and Risk Acceptance when compared to Germany, Italy and the European Union. Networking, Start-up Skills, Internationalisation and Process Innovation are areas that have scope for improvement.

London, the start-up capital of Europe (Wyman, 2020) is particularly prosperous and is the UK region with the largest number of high growth businesses. There is a perceived lack of incentive for people to go outside of London to contribute to growing businesses. Resources are highly concentrated in London and the South East and as such, the scope for growth in other regions of the UK is not perceived to be as high.

This is an accurate picture when we consider macro-level issues. The British Business Bank's *Alone, together* report (Wyman, 2020) gives us a more nuanced picture. Whilst entrepreneurs in the South East and North East are the most successful, only 71% of entrepreneurs in Greater London made a profit in 2019, whilst 84% made a profit in all other UK regions. 20% of business owners in Greater London experienced a decline in revenue as against 14% in the remainder of the UK (Wyman, 2020:18).

The high levels of competition, high costs of living and operating and levels of deprivation are the reason why entrepreneurs in Greater London face the most significant challenges. For example, the cost of living in London is 7% above the UK average and as such, whilst London has much to offer by way of opportunities, an entrepreneur must be in a stronger position if they are to be able to afford similar opportunities to those that exist elsewhere in the UK.

Mueller, Stel and Storey (2008), make reference to the existence of high-enterprise and low-enterprise counties in their study of new firm foundation and subsequent employment growth. Within the UK, rates of new business formation vary; most often, higher formation rates occur in the more prosperous regions (Fritsch and Storey, 2014). Mueller et al (2008) point to how entrepreneurship has a positive effect in existing prosperous regions. In low-income regions, it has a negligible and sometimes negative effect; this is particularly unfortunate because such regions have the greatest need for job creation facilitated by new firms.

In terms of the level of deprivation, 47% of those in Greater London 51% of entrepreneurs in the North East and 57% of those in the North West live in more deprived areas. This is in marked contrast to the 22% in the South East that can be classed as living in deprived areas (Wyman, 2020:32).

Fotopoulos and Storey's (2017) paper considers time-persistence in interregional differences of self-employment rates in England and Wales between 1921 and 2011.

| | 1921 | 1971 | 2011 |
|----|----------------------------------|---------------------------------|----------------------------------|
| | TOP 10 COUNTIES | | |
| 1 | Cardiganshire | Isle of Wight | Radnorshire |
| 2 | Isle of Wight | Cardiganshire | Merionethshire |
| 3 | Sussex East | Cornwall | Westmorland |
| 4 | Radnorshire | Merionethshire | Cornwall |
| 5 | Pembrokeshire | Caernarvonshire | Sussex East |
| 6 | Sussex West | Sussex East | Cardiganshire |
| 7 | Westmorland | Dorset | Montgomeryshire |
| 8 | Caernarvonshire | Westmorland | Herefordshire |
| 9 | Anglesey | Pembrokeshire | Isle of Wight |
| 10 | Cornwall | Devon | Pembrokeshire |
| | BOTTOM 10 COUNTIES | | |
| 1 | Durham | Durham | Durham |
| 2 | Monmouthshire | Northumberland | Monmouthshire |
| 3 | Caernarvonshire | Warwickshire | Glamorgan |
| 4 | Northumberland | Monmouthshire | Northumberland |
| 5 | Derbyshire | Staffordshire | Staffordshire |
| 6 | Glamorgan | Yorkshire, North Riding | Lancashire |
| 7 | Staffordshire | Glamorgan | Huntingdonshire and Peterborough |
| 8 | Huntingdonshire and Peterborough | Yorkshire, East Riding | Nottinghamshire |
| 9 | Wiltshire | Nottinghamshire | Flintshire |
| 10 | Essex | Lincolnshire, parts of Kesteven | Yorkshire, West Riding |

County league tables: self-employment rates 1921, 1971 and 2011 compared based on 1971 census counties geography. Fotopoulos and Storey, 2017: 676

They highlight upward movements in self-employment of London boroughs and downward movements in primarily coastal areas. The time persistence in interregional entrepreneurship rates are partially attributed to the fact that an entrepreneurial culture exists in particular localities and regions.

Anderson (2013:8) describes entrepreneurship culture as:

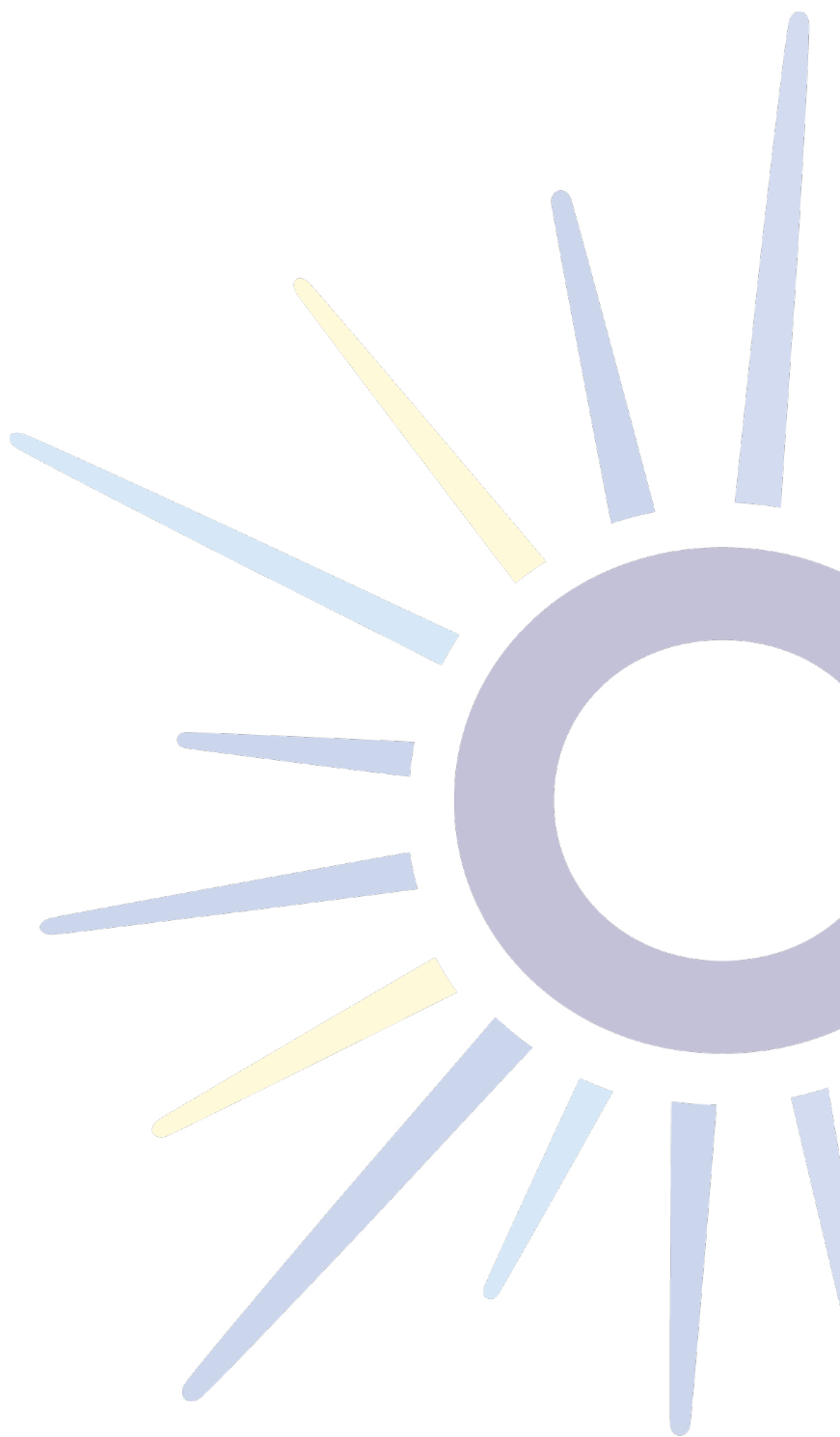
‘spatially localised informal institutions that have to do with the general social acceptance and encouragement of entrepreneurs and their activities in a region...’

The above is explained by the fact that local embeddedness exists. Fotopolous and Storey (2017) describe this as a situation in which values and attitudes towards entrepreneurship strongly influence regional rates of entrepreneurial activity because they are locally embedded. Local embeddedness is linked to the identification of entrepreneurial opportunities that can often occur because people have worked in particular industries based in certain localities (Buenstorf and Klemperer, 2009). It can also be because of the particular human and social capital entrepreneurs acquire as they work in particular industries (Dahl and Sorensen, 2012). Fotopoulos and Storey conclude that regional restructuring that has favoured the service sector, increases in human capital, the ageing population, homeownership and immigration all impact on the ranking of counties when entrepreneurial activity is examined.

A significant part of London fares much better because of the level of growth in financial services in recent times. As wages have increased especially in London, it continues to be an attractive target for immigration and people working as self-employed. The issue of the challenges in Greater London mentioned above reflect the paradoxical situation and have to be borne in mind also. The decline

observed in coastal towns is attributed to the reduction in seaside tourism and fishing as well as the decrease in self-employment in the hotels, restaurants and distribution sectors of the economy.

Whilst enterprise policy since the late 1970s has sought to promote enterprise in low-enterprise areas (Greene, Mole and Storey, 2008), this does not appear to have happened, suggesting that issues of disadvantage that go beyond new enterprise programmes need to be explored.



Why entrepreneurship matters

A variety of reasons are given in both practitioner and academic literature for the importance of entrepreneurship today. Entrepreneurship is said to promote social change and drive innovation. The most developed nations like the United States of America attribute their world leading status facilitated by research and forward-thinking innovation to the work of entrepreneurial individuals. Entrepreneurs are consequently viewed as national assets that must be cultivated, motivated and rewarded in line with the value they create (Scarborough and Cornwall, 2019; Seth, 2021).

Entrepreneurs are deemed to be important because they create jobs and are catalysts for economic growth. Their importance in a country like the United States is demonstrated in how taxation policies favour sole proprietors instead of people in employment or large corporates (Acs, Astebro, Audretsch and Robinson, 2016).

In the UK, an indicator of the importance of entrepreneurship is the government's loan guarantee scheme replaced in 2009 by the Enterprise Finance Guarantee scheme. This scheme is a way of assisting those who have difficulty raising money from banks. 25,000 economically viable small businesses have received in excess of £2.63 billion through this scheme run by the government's British Business Bank (Astebro, 2017; Startups, 2021).

Long-term economic growth and prosperity are influenced by entrepreneurs because they are the people who harness opportunities and bring goods and services to market. These goods and services provide employment and permit the development of new markets in the communities they serve (Forsman 2011; McKeever, Anderson, and Jack 2014). Start-ups can increase employment in the short-term through their recruitment of staff that they require. It is also possible that they will displace competitors that are inefficient and cause them to lay off some or even all of their workers. In addition, the new firms may grow and induce competitors to improve their performance. This can also improve employment (Fritsch and Mueller, 2004).



Whilst entrepreneurship can facilitate reductions in poverty, it cannot be credited with having a complete answer to poverty reduction. Job creation, higher incomes and reductions in poverty are not automatic results of entrepreneurial activity because some entrepreneurs focus upon serving local markets and as such, they manage low productivity firms. Lee & Rodriguez-Pose's (2021) study of a panel of US cities between 2005 and 2015 highlights the differences that can exist between tradeable and non-tradeable sectors. Tradeable sectors in an economy are sectors that produce services or goods that can be traded across regions as well as international borders. Such organisations must contend with competition from abroad even if they choose not to trade abroad. This makes being innovative and dynamic imperative if such organisations are to be successful (OECD, 2018). The demarcation between tradeable and non-tradeable sectors is dynamic and not always clear-cut from country to country but non-tradeable sectors are those that primarily serve domestic or local markets. Lee and Rodriguez-Pose (2021) found that where entrepreneurial activity took place in tradeable sectors like manufacturing, natural resource-based industry like agriculture, furniture making, shoes, cars and digital technology, there was poverty reduction and increased income for non-entrepreneurs. Conversely, the economic benefits from non-tradeable sectors such as retail or hospitality were unable to reduce poverty. This was because new businesses in such sectors effectively saturated the market so that for example an existing restaurant would lose customers to a new restaurant set up in the local community.

The idea of operating in non-tradeable sectors that include hyper-markets, real estate, construction, health services is what Acs et al (2016) refer to as routine entrepreneurship. This occurs when an individual sets up a business in an established and clearly defined market where production processes are well specified and prices clearly known. Whilst this type of entrepreneurship will not necessarily create many job opportunities (Acs et al, 2016), organisations that can help ensure that entrepreneurs have the human, financial and social capital required to run the business are of value and can help prevent the large number of business failures routinely experienced. In addition, firms that are assisted to produce excellent quality goods in the non-tradeable sectors can supply inputs to foreign firms that are set up in the locality. This will be because the inputs they provide will be of comparable or superior quality to what such firms import. By so doing, they will expand the market served by firms in the locality instead of cannibalising each other's markets.

Tradable sectors include those highlighted in Schumpeterian or novel entrepreneurship that facilitate the introduction of something that has never existed into the market. As such, the market is not clearly defined and actual and potential firms in the industry do not really know the complete set of inputs required for successful operations nor the exact relationship between inputs and outputs. Those who can handle uncertainty and take responsibility for the success or failure of their businesses have a role in such contexts (Acs et al, 2016). Once more, organisations that can provide support to such individuals so that they operate in an enabling environment are invaluable.

This view is very much in line with the literature that indicates that close proximity to other entrepreneurial individuals and firms or being a part of an entrepreneurial ecosystem increases the chances of success or the expected value that accrues from entrepreneurship (Acs et al, 2016; Li, de Zubieta and O'Connor, 2015).

Whilst there is clearly a challenge for entrepreneurial activity in non-tradeable sectors, the possibilities created by being intrapreneurial in a community that does not have a strong local economy can mitigate the situation in such sectors. There is also the advantage technology facilitates so that an entrepreneur operating online may be well placed to serve clients who are not based in the local community in addition to serving foreign firms with inputs. It is important to acknowledge the fact that governments still have a responsibility to facilitate poverty reduction and the growth of local communities especially in areas of relative disadvantage (James, 2018), but entrepreneurial activity can also contribute positively to local economies.

Scholars engage in debates about the effectiveness of public policy when it comes to encouraging those who can bring to market ideas with the potential to create high-growth businesses.

Self-employment and Entrepreneurship

A person is classed as self-employed in the United Kingdom (UK), if they operate their business for themselves and are responsible for the positive or negative performance of that business. They do not have the rights and responsibilities that employees have. Self-employed people are free to decide what work they do, when they undertake that work, whether they hire other people to work for them and the methods they employ (<https://www.gov.uk/employment-status/selfemployed-contractor>, nd).

Whilst it is common to see policymakers and researchers using self-employment as a proxy measure of what entrepreneurial activity is taking place in the UK and elsewhere, that is not necessarily the best measure of entrepreneurship. This is because a number of self-employed people have found obtaining regular employment impossible and only use being self-employed as a stop-gap whilst they search for a suitable position. Such people do not intend to grow the businesses they have set up. There are also some people working for themselves without being formally registered as being self-employed. Having said that, the fact still remains that self-employment can be linked to entrepreneurship because it requires the organisation of resources and the identification and exploitation of opportunities in an attempt to create value (Greene, 2020).

Small businesses and the UK economy

In considering how important small and microbusinesses are to the UK economy, it is important to interrogate the numbers as in 2020, 99% of the 5.7 million businesses in the private sector of the UK were classed as small to medium-sized (SMEs). These SMEs have between 1 and 249 people working for them. 52% of private sector turnover and 60% of jobs in the private sector come from SMEs (merchantsavvy, 2021).

The above classification conceals the significance of the disparities between the various types of businesses that exist. Medium-sized businesses that employ between 50-259 people form only 0.6% or 34,200 of this number. Less than 228,000 of these 5.7 million businesses employ between 10 and 49 employees. The remaining businesses estimated to be about 5.5 million in 2020 are microbusinesses that employ 0-9 people.

| | Business | Employees (Thousands) | Turnover (£ Millions) |
|-----------------------|------------------|--------------------------|--------------------------|
| With no employees | 4,567,775 | 935 | 315,627 |
| 1 - 9 employees | 1,156,925 | 3,797 | 615,252 |
| 10 - 49 employees | 211,845 | 4,081 | 645,662 |
| 50 - 249 employees | 36,140 | 3,519 | 693,689 |
| 250+ employees | 7,835 | 10,879 | 2,076,739 |
| All businesses | 5,980,520 | 23,210 | 4,346,969 |

Source: <https://www.merchantsavvy.co.uk/uk-sme-data-stats-charts/>

Microbusinesses are a diverse group of organisations that range from brand new start-ups to family businesses that span generations. They make up 1/5th or 20.4% of the UK economy and employ 17.3% of the workforce in the UK. Although the average turnover of microbusinesses in the UK is only £286,879 with just over 235,000 having a turnover of more than £1 million pounds and 20% a turnover of less than £50,000, their contribution to the economy especially in view of the impact of the pandemic is very important (Rosling, 2020). 4.6 million UK businesses have no employees (MacNaught, 2021) About 76% of all businesses in the UK are single person businesses (merchantsavvy, 2021).

The need for business support

This paper focuses mostly upon micro businesses and start-ups in view of the numbers involved. As previously mentioned, the fact that traditional employment is increasingly difficult to secure is a well known fact (James, 2018; Merchantsavvy, 2021). Programmes that help individuals thinking of starting their businesses are very important. This is so because, whilst there may be obstacles in the business environment working against the growth of micro businesses, obstacles linked to the internal mindsets or the vision of the business owner as well as their ability to deal with external factors are equally important (Allinson, Bradford and Stone, 2013; Kuratko, Fisher and Audretsch, 2020).

As highlighted by SME Loans, 64% of the workforce in Britain would like to start their own business although about half of those people do not believe that they will actually do so. Amongst the reasons given for not actualising their dreams are competition, fear of failure, not feeling qualified, stress and not having relevant skills (Rosling, 2020). Considering the current circumstances in which companies in industries like hospitality, travel and tourism (Ratten, 2020) have suffered greatly and laid off staff, the situation is compounded.

Susan Hall, Chairperson of the Economy Committee of the London Assembly said:

Microbusinesses are a vital part of London's economy. They drive economic growth, create jobs and help shape local communities ...It is widely acknowledged that to help businesses survive and grow, they need to have access to the right advice at the right time.

(London Assembly Economy Committee, 2018)

The London Assembly Economy Committee's 2018 study of the needs of microbusinesses covered about 200 businesses. The majority of respondents to the survey were from the creative, retail and professional services sectors. Whilst the report does not claim to be representative of London or UK microbusinesses, it draws attention to a variety of issues. The report highlights the need for established microbusinesses to develop a standout online and social media presence. Considering that this study preceded the pandemic, that is an even more urgent need now.

As summarised in the diagram below, the new businesses amongst the almost 200 businesses that took part in the survey express the desire to have tailored support offered on a one-to-one basis and also seek to increase their marketing knowledge. Accessing business support is cited as a challenge and the businesses explain that they value support from other businesses via trade associations, directly or through co-working arrangements.

“64% of the workforce in Britain would like to start their own business although about half of those people do not believe that they will actually do so.”

Survey results

Microbusinesses say they are finding it hard to access business support.

Twice as many businesses find it difficult or very difficult than those that find it easy or very easy.

Microbusinesses want to learn from other businesses, not outsiders.

The three most helpful ways businesses find support are from other businesses, be it direct, or through co-working events or trade associations.

The most popular way of receiving support is one to one sessions.

Most microbusinesses haven't heard of the London Growth Hub.

Almost two thirds of the firms that responded to our survey haven't heard of the London Growth Hub.

Some of those who have heard about the London Growth Hub find it difficult to access support.

New businesses want face to face contact and tailored support, whilst established businesses are happier to receive online support, or group events such as workshops.

Marketing knowledge is highly sought out by lower income businesses, whereas high income businesses tend to want specific legal or regulatory support.

Reference: London Assembly microbusiness survey, June – July 2018

How important is entrepreneurship during pandemic recovery?

COVID-19's global impact is undeniable as we have witnessed its impacts on the world's economy and every facet of life as we know it. Widespread unemployment, lack of productivity and the downturn of economies all characterise what has been a catastrophic season (Meahjohn and Persad, 2020). Recovery from the situation in which industries like hospitality and tourism have suffered greatly is definitely going to require new ways of thinking and behaving.

The extent of the impact of COVID-19 remains unknown as we continue to grapple with variants a year and a half after the UK first went into lockdown (Ratten, 2020). Ideally, the new ideas put forward for policy and practice will harness the opportunity to build a future that is more responsible, inclusive and sustainable (Grimshaw, De Ruyter and Bach cited in Stephan, Zbierowski and Hanard, 2020).



In November 2003, The American Economic Review published an article by Alexander J Field that identified the years of the Great Depression (the 1930s) as the most technologically progressive decade of the 20th century. This claim has been the subject of some debate as older industries like textiles, leather goods and apparel had non-existent or slow productivity growth and the Second World War followed that period of time. Sectors like communication services, petrochemicals, electric utilities and transportation were dynamic and generated product innovations and processes (Cowen, 2009). What cannot be disputed however is that the Depression years can be looked upon as a time when there was clearly some advancement that was built upon in the post-war years of the 1950s and 1960s. In addition, more than half of the largest companies in the Fortune 500 list were founded during recessions or in bear markets when the value of companies had decreased by 20% or more (Gauthier and Morelix, 2020).

What is also beyond dispute is the fact that pools of human capital can become available when large firms shed staff in order to cope with downturns. Experienced people who find themselves unemployed may start a business especially as they have nothing to lose. Entrepreneurs also have a chance to recruit qualified and experienced people in such seasons. This makes the likelihood of solutions to the very real challenges we are contending with more of a possibility because entrepreneurs will most likely experiment with novel solutions and can adopt an effectual approach.

Saras Sarasvathy studied a sample of expert entrepreneurs from diverse backgrounds in a bid to ascertain the process that entrepreneurs use to create new ventures. Her theory of Effectuation

encapsulates the findings of her research about how expert entrepreneurs think about problems and how they go about resolving those problems. Effectuation is about making decisions and taking actions where the most suitable next steps taken are based upon an assessment of the resources available and goals that can be realistically achieved. The fundamental principles of effectuation theory are suited to dealing with what has been taking place during this pandemic:

- The Bird in hand principle describes the situation in which entrepreneurs start with who they are, what they know and whom they know. This is a very realistic starting point when one considers the issue of lockdowns and restricted movements and activities. As Jacobides and Reeves (2020) highlight, as the potential ramifications of behavioural trends are mapped out, it will be possible for entrepreneurs to identify specific products or services that their skills and knowledge will enable them to provide.
- The second principle of Effectuation, the Affordable loss principle, outlines the fact that expert entrepreneurs invest only what they can afford to lose. In the Covid-19 context, some experimentation is necessary but a responsible approach to risk taking is well-advised.
- The need to harness networks is the foundation of the Crazy Quilt principle that highlights how networks that are essentially inclusive and open are best for dealing with novel circumstances. We see this at work in the manner in which digitalisation facilitates global partnerships and working practices.
- The ability to find ways to bring positive outcomes out of negative situations is the Lemonade principle – any entrepreneurs that are able to do so will serve communities and society at large effectively.
- The fifth principle known as the Pilot in the plane principle posits that a process of co-creation between stakeholders is necessary for the best outcomes in uncertain and risky situations as entrepreneurs effectively create their own opportunities. (Read, Sarasvathy, Dew and Wiltbank, R. 2017).

Lessons from past crises

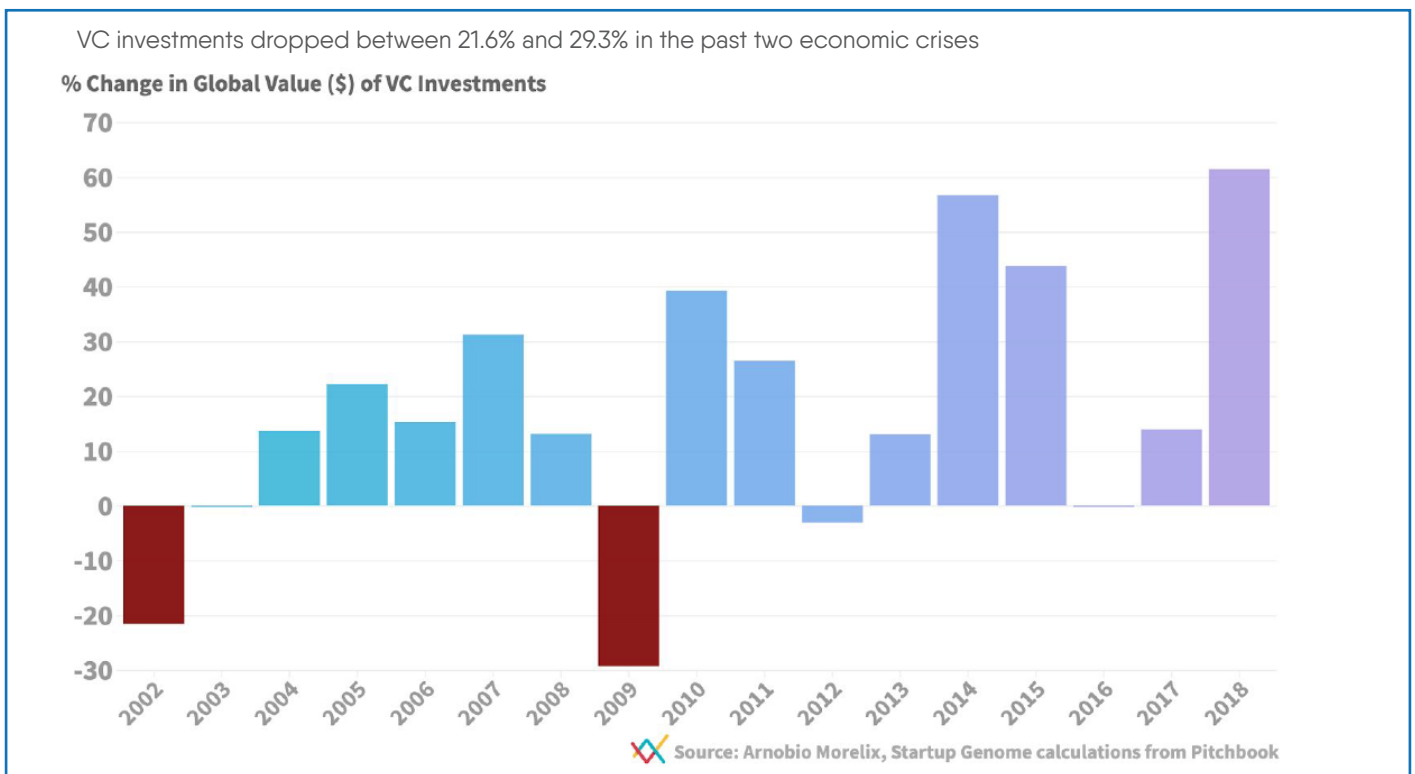
Stangler's (2009) investigation into the effects recessions have on new firm formation analysed data from the Incorporated list of America's fastest growing companies, the Fortune 500 list and the United States Census. One of his main conclusions is that job creation in start-ups is much less volatile and sensitive to downturns than job creation in the entire economy. Stangler also concludes that although recessions cause short-term declines in start-ups, their impact on formation and survival is not particularly negative.

On a global level, the Dot-Com crash of 2001-2002 and the 2007-2008 financial crisis caused venture capital investments to fall by between 21.6% and 26.3% respectively. This was the equivalent of a reduction of up to \$86.4 billion (Gauthier and Morelix, 2020: 9-10). Despite what could be termed dire circumstances, Airbnb, Asana, WhatsApp, Sipsmith, Uber and Quora are some of the more than fifty unicorns founded in the recession years of 2007-2009 (Gauthier and Morelix, 2020:3-4). Some would argue that necessity is indeed the mother of invention.

¹ Fortune 500 company is a company on a prestigious list of the 500 largest (by revenue) and publicly traded companies that is compiled and published annually. (financial-dictionary.thefreedictionary.com Accessed 1-09-2021).

² A unicorn company or start up is a new business that is valued at more than 1 billion dollars and is owned by private individuals (Foot, 2020)

How important is entrepreneurship during pandemic recovery?



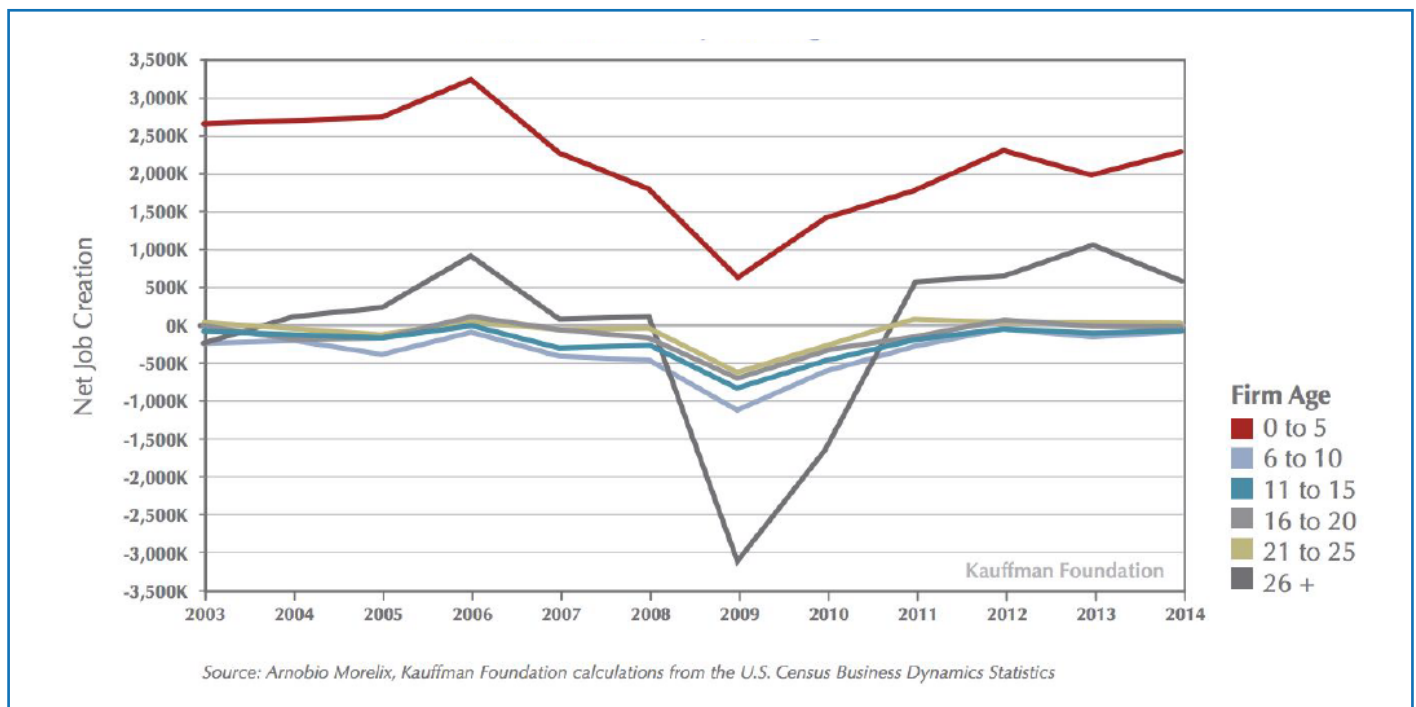
Coping in a crisis

The opportunities available include the chance for start-ups to acquire talent as large corporations downsize. 3.3 million people applied for unemployment insurance in the United States in the third week of March 2020. This number is five times more than the previous highest recorded statistic in October 1982 (Gauthier and Morelix, 2020).

The former Minister of Information Technology for Rwanda (Jean Philbert Nsengimana) commented on the results of the global lockdowns imposed by COVID-19. He pointed to the response that resulted in emergency food security and public health programmes especially put in place to protect the most vulnerable. In addition, he drew attention to the opportunity to provide solutions harnessed by digital entrepreneurs all over the world to produce a variety of solutions. These solutions have included innovations in education, food and medical supplies and public health risk assessment capabilities; requiring proactivity in the nations of the world. He is of the view that start-ups will be job creators and contributors to economic recovery post the pandemic in both the developed and the developing world (cited in Gauthier and Morelix, 2020).

As Ratten (2020) points out, the fundamental changes in living and working conditions require entrepreneurial thinking so we can adapt effectively. The issue of entrepreneurship being synonymous with job creation is one that is subject to much debate in the UK considering the number of businesses that have no employees. There are a variety of reasons why businesses have no employees; they include the fact that some entrepreneurs do not seek growth and want to remain small, others go into self-employment as a stop-gap when they are unemployed and others do not have the skill or expertise to grow their businesses (Bari, 2021). However, on a global scale, entrepreneurship is vital for job creation. The following graph from the US indicates how reliant that economy is upon start-ups when it comes to job creation.

Net job Creation by Firm Age



Entrepreneurship by definition is about trying new things – consequently, the novel situations we confront require approaches that have not been tried and tested. Experimentation has to be embraced and a greater tolerance for ambiguity developed in our organisations and society at large. Speedy judgements about how markets are responding are necessary so organisations can pivot accordingly (Ratten, 2020).

Our current circumstances require digital transformation on a scale not contemplated although the pace of technological was judged to be rapid pre-Covid (Morrar, Arman and Mousa, 2017). The changes in how individuals interact and behave calls for recognition of the opportunities provided and the management of challenges that arise. Business models need to be altered in order to fit dynamic and complex contexts. In the hospitality industry for example, business model innovation has been used by some organisations during the crisis to create revenue streams and secure a higher level of liquidity (Breier, Kallmuenzer, Clauss, Gast, Kraus and Tiberius, 2021).

The increasing reliance upon digital forms of communication is one of the drivers of business model adjustment especially in industries like sports and tourism where the impact of COVID-19 has been catastrophic. Entrepreneurship has demonstrated its importance in a variety of ways in this crisis. Examining how entrepreneurship can contribute to dealing with other long-term trends such as: the increased awareness of personal well-being, business resilience, the building of local supply chains and socially inclusive business models (Stephan, Zbierowski, and Hanard, 2020) for the post COVID economy illustrates its importance effectively.

The need for an entrepreneurial mindset

The issue of the volume of unknown unknowns (black swans) is one of the key reasons why entrepreneurship is vital (Gilgun, 2018). Entrepreneurs are interested in locating opportunities and circumstances such as what we face are littered with challenges and opportunities. The dynamism and complexity in the business environment require an entrepreneurial mindset (Ratten, 2020). The response businesses give to COVID 19 will ultimately demonstrate how much of an opportunity or threat it will be (Alon, Farrell and Li, 2020).

An entrepreneurial mindset is necessary for coping with the seismic changes we are experiencing. Entrepreneurs and Intrapreneurs are adaptive and therefore best placed to respond to crises (Liguori and Winkler 2020). The need for an entrepreneurial mindset as a means of solving problems is because that way of thinking will recognise and exploit new ways of handling things, ways of trying new things and repurposing where possible. The entrepreneurial mindset has also been described as a dynamic process of vision, change, and creation, that requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions. It describes the ability to recognize opportunity where others see chaos, contradiction, and confusion (Kuratko, 2020).

Arlen Meyers (2019), CEO of the Society of Physician Entrepreneurs based in Denver Colorado, describes the entrepreneurial mindset as a state of mind that enables an individual to make use of scarce uncontrolled resources in order to harness opportunities. The focus of this pursuit is to create value that is defined by users through a variety of innovations. Creativity and innovation are crucial in all sectors of the economy but more so in those that have experienced significant losses and changes.



The analysing, synthesising and valuing functions of the mind (Adair, 2009) are extremely pertinent as individuals and organisations deal with job losses, reductions in requirements, lifestyle, social and cultural changes. Identifying and exploiting sources of competitive advantage will definitely require thinking and behaving in novel ways (Ratten, 2020). An example is the manner in which some individuals have a tolerance for ambiguity and take on small projects and work flexibly especially because of the digitalisation characteristic of this period of time (Ahsan, 2020). Organisations that will survive have to engage in product-market innovation, the promotion of innovative behaviour internally and experimenting so that they come up with proactive innovations (Wang and Altinay, 2012:4).

In conclusion, entrepreneurship in all its forms and self-employment are of vital importance to the United Kingdom. The support such businesses require cannot be understated in both tradeable and non-tradeable sectors. Even in situations where proprietors do not intend to grow their enterprises, the support they obtain will increase their chances of success and will help establish entrepreneurial ecosystems that will support communities and societies. Particularly in view of COVID-19, entrepreneurship will contribute to the recovery and rebuilding of our local communities in ways that may have up until now not been envisaged.

The need for Visionnaires

1. Considering the UK's weaknesses in considering the pillars of entrepreneurial activity, Visionnaires is well placed to assist in the areas of relative weakness such as networking and process innovation.
2. In terms of localities increasing their entrepreneurial activities, the work of organisations like Visionnaires contributes to local embeddedness and will be invaluable in the Greater London region and regions outside London.
3. The development of human capital is particularly crucial and organisations like Visionnaires working with educational institutions is a model that can contribute effectively to the increased growth of human capital.
4. An organisation like Visionnaires is very well placed to help people overcome the barriers they face so that they can set up and run microbusinesses that make use of the knowledge and skills at their disposal.
5. Visionnaires has a chance to carve itself a niche characterised by excellent provision of business support on a one-to-one basis or in groups, face to face contact and online support, plus training in obtaining and making use of Marketing knowledge. By so doing, the organisation can help microbusinesses overcome the digital capability challenges and some of the other obstacles they face. The new opportunities technology presents can also be more effectively harnessed when entrepreneurs develop their digital skills. Low-risk digital marketplaces like Etsy permit engagement at much reduced costs.

The fact that in 2018 the microbusinesses that took part in the study spent an average of 53% of their turnover on rents, salaries and other overhead costs, points to the need to help these businesses develop sustainable business models. The programmes and incubation support provided by Visionnaires makes the survival of microbusinesses more of a possibility.

The very real competition faced from businesses like Amazon means that it is vital for most microbusinesses to pursue a non-price competition strategy. Visionnaires is well placed to assist microbusinesses in this quest.

- 6 The values integrated into the Explore, Start and Grow programmes provided by Visionnaires point to a commitment to sustainability and ethical practices. In addition, the organisation's focus on communities which are under-represented in entrepreneurship has revealed a strong sense of sustainable and responsible business practices.

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Data on under-represented groups in entrepreneurship in the UK

The importance of microbusinesses

In 2020, there were 6 million private sector businesses in the UK, 2.5 million more businesses than in 2000 (HOC Briefing Paper, 2020). Within this statistic, 96% have fewer than 10 employees (Ibid). It is therefore important to acknowledge the importance of micro-businesses or micro-enterprises which operate with 0-9 employees to the UK economy and to the business landscape. The terms micro-enterprise and micro-business are often used interchangeably and tend to infer the same business entity although there might be slight variations on size depending on country of focus (Mor, et al. 2020).

Although diminutive in nature, microbusinesses can range from a variety of types of businesses from established family enterprises to new start-ups which have high growth potential. Micro-enterprises have largely been ignored by researchers and policy makers (Julien, 1993; Hänninen, et al. 2016; Collins & Fakoussa, 2015). As a result of their size, microbusinesses tend to experience specific challenges, such as limited capacity and resources, leading some owners to engage in a constant juggling act of managing the multiple demands of leading and managing the business and meeting short and long-term business needs.

Under-represented groups and entrepreneurship in the UK

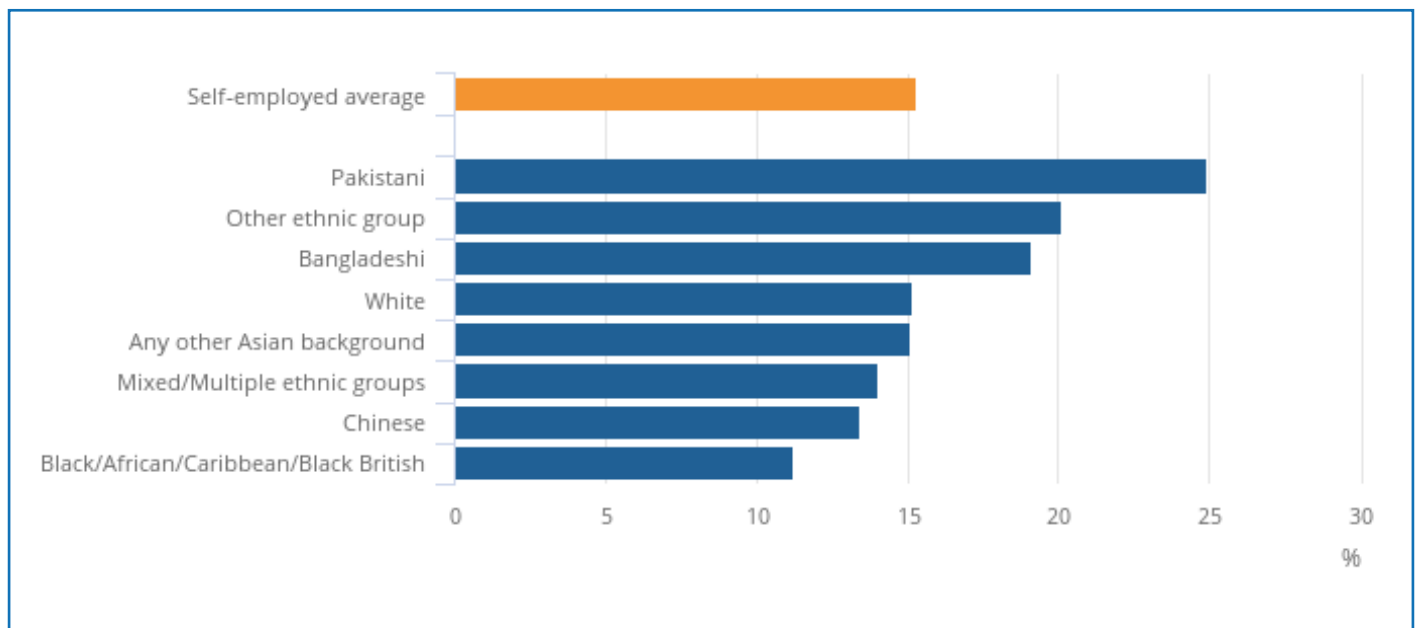
Under-represented groups in entrepreneurship in the UK are deemed to be those groups that are statistically underrepresented in entrepreneurship activity. These groups are argued to be migrants, ethnic minorities/BAME, women (ESRC, 2015; Carter et al., 2015), people who identify as having disabilities, and those with low educational attainment (Blackburn and Smallbone, 2015). Within the umbrella of 'under-represented' group category, there is diversity in outcomes and opportunities within this wide group. For instance, black entrepreneurs report worse outcomes compared to their ethnic minority counterparts in relation to objective and subjective measures of success, whilst Indian entrepreneurs are on average, most qualified amongst entrepreneurs from all ethnic groups. (British Business Bank, 2020).

Ethnicity

In examining ethnic considerations relation to entrepreneurship, it is important to note that there is no agreed definition of what constitutes an ethnic minority business and the terms used in publications, policy documents and academic texts tend to vary in naming such a venture. Ethnic minority businesses may be termed under a range of categories, such as 'minority business' (OPEN, 2021); 'minority-led business' (BEIS, 2020a; BEIS, 2020b); an 'ethnic minority business' (FSB, 2020) 'Black, Asian and other ethnic minorities' (BBB, 2020) or 'BAME businesses' (APPG BBO, 2020).

Ethnic minority self-employment rates vary considerably across ethnic minority groups. For instance, there is a higher than average number of Pakistanis (25%) and Bangladeshis (19%) that are self-employed. As figure 1 shows, in 2019, only 11% of Black/African/Caribbean/Black British workers and Chinese workers (13%) were self-employed. It is clear then that self-employment is more common to some ethnic groups compared with others.

Self-employment rate by ethnicity (ONS, 2020)



Source: Office for National Statistics – Annual Population Survey

Within the category of under-represented groups, ethnic minority businesses play an important role in the UK economy and more attention should be paid to their innovativeness, experiences, needs and outcomes. Businesses that are led by ethnic minorities contributed at least 74 billion during the period of 2019–2020 (OPEN, 2021). In 2019, 5.1% of UK SME employers with employees were majority led by ethnic minorities and were most common in England (5.4%) compared to Scotland (4.3%), Northern Ireland (2.1%) and Wales (1.5%). In contrast, 3.8% of SMEs in the UK with no employees were led by people from an ethnic minority. These types of employers were most common in England (4.0%) than in Scotland (2.7%), Northern Ireland or Wales (both less than 0.5%) (BEIS, 2020a).

Ethnic minority-led businesses with no employees were most likely to be in information and communications and health (both 9%), and wholesale and retail (8%), and least likely within the primary sectors (1%) (BEIS, 2021a). In contrast, ethnic minority-led SME employers with employees were more likely in accommodation and food, information and communication (both 9%), transport (8%), retail and wholesale and health (both 7%) sectors. They were less likely in primary and education sectors (both 1%) (BEIS, 2021b).

Research conducted by Santander in 2021 found that ethnicity was seen to be a greater challenge than gender when growing a business among the respondents of their research (Santander, 2021). This finding demonstrates the potential impact that an entrepreneurs' ethnicity may have on their likelihood of experiencing challenges and barriers in entrepreneurship development and growth.

Women

It is estimated that in the UK, women-led SMEs contribute about £85 billion to economic output each year. In 2019, data showed that 23% of SMEs with no employees were led by women (HOC Briefing Paper, 2020).

Although, women entrepreneurs do contribute heavily towards the UK economy, they experience a number of barriers in their business journey as will be discussed in more detail below. Funding has been seen as the number one barrier for female entrepreneurs at every stage of their business journey (Rose Review, 2021).

In terms of their representation, according to the Alison Rose Report, only 1 in 3 UK entrepreneurs is female, which is a gender gap equal to 1.1 million businesses. In monetary terms, if the UK were to achieve the same average share of women entrepreneurs as Canada, Australia and the US, this would add £200 billion of new value to the UK economy (Rose Review 2019).

The pandemic has exacerbated the challenges faced by women in starting and scaling their businesses. For instance, recent research by Nat West (2021) found that 77% of female business owners found the management of their business ‘stressful’ compared to 55% of their male counterparts. Female entrepreneurs were also 17% more likely to struggle with balancing the demands of their business with family life during the pandemic. Women were also less likely to report the challenges that they face which has implications on their ability to get support they need for their business (Rose Review 2019; Santander 2021).

Intersectionality

It is now important to draw attention to some of the intersectional* factors which impact under-represented entrepreneurship groups. It is also important to acknowledge the complexities and interplay involved between seemingly unrelated identities such as gender and race. The British Business Bank (2020) draws attention to interlocking disadvantage experienced by under-represented entrepreneurs in regard to gender, race and socio-economic position. For instance:

- Female entrepreneurs from ethnic minority backgrounds experience the biggest disparities, such as the lowest levels of business success;
- Black Caribbean, Black African, Other Asian and Other ethnic minority entrepreneurs were more likely to live in deprived areas.

Drawing attention to the importance of intersectionality in entrepreneurship, the British Business Bank states:

People’s experiences are entangled with their ethnicity, their gender, and the place they live, as well as many other aspects of their circumstances and characteristics. This creates different starting points and also leads to different outcomes. There is systemic disadvantage for entrepreneurs who come from an ethnic minority background and who are female (British Business Bank, 2020: 6).

* Intersectionality highlights the way in which various forms of inequality operate with one another and exacerbate each other (Crenshaw, 1989). Examples include, gender, race, class and disability.

Disability

The experiences of disabled entrepreneurs in the UK is a neglected area in research compared to other under-represented entrepreneurs in the UK, such as women entrepreneurs (Ipse, 2019). Research by Ipse, the not-for-profit membership organisation for the self-employed in 2019, highlighted that very little is known about this group of entrepreneurs, including their motivations to enter self-employment; what challenges they face and who exactly are the disabled self-employed? The number of disabled people choosing to work for themselves had risen by 30%. In 2019, disabled people represented 14% of the self-employed workforce nationwide (Ipse, 2019). In 2019, there were more disabled men (60%) than women (40%) in self-employment. It is important to note that disabilities are diverse and in compiling themes relating to the challenges and barriers of under-represented entrepreneurs, impairment and disabilities vary significantly in terms of severity, type, stability and duration (Wishart, 2018; WHO, 2011).

LGBTQ+

“...we wish to call attention to the ways that women of colour, immigrant and refugee women, poor and working-class women, women of the Global South, lesbian, gay, bisexual, transgender, queer/questioning, intersex and asexual (LGBTQ+) women and gender non-conforming people – as well as the many people at the intersections of these categories – engage with and experience entrepreneurial activities.” (Marlow & Martinez Dy, 2017: 8)

Much in the same way that research surrounding disabled entrepreneurs in the UK is under-researched compared to gender entrepreneurship, research regarding LGBTQ+ entrepreneurs in the UK is also limited in relation to their participation and experiences (FRC, 2020, Galloway, 2007, Galloway, 2011). This lack of evidence and gap in narrative may have implications on the levels of support and resources made available to these groups of entrepreneurs in comparison to other under-represented entrepreneur groups.

Attention is slowly focusing upon the LGBTQ+ community within a business context; however, this focus relates to workplace settings. For instance, in 2021, the UK's announced its first LGBTQ+ business champion, Iain Anderson, who is executive chairman of public relations firm Cicero. Anderson will be tasked with improving workplace equality at a small business level (BBC, 2021). It is arguable that a similar role should be created which focuses on LGBTQ+ entrepreneurship in the UK to raise the profile of this severally under-researched group of entrepreneurs, to elucidate their experiences and accounts, and to ensure that support is in place to support their entrepreneurial journeys.

Motivations for entering entrepreneurship

Before moving onto the themes surrounding under-represented groups in entrepreneurship, it is necessary to briefly examine the motivations for these groups' entrance into self-employment. Within entrepreneurship theory, entrepreneurial motivations tend to focus upon push/pull motivations which centre around external or personal factors – often negative or out of necessity, such as job loss (push factors) or factors which draw people into starting their own business (pull factors), which are often viewed positively (Clark & Drinkwater, 2000; Wishart, 2018, Lam, Harris & Yang, 2019).

In the UK, as seen in figure 1, Asian groups (Pakistani and Bangladeshis) have a higher rate of self-employment and this has been attributed to their family background and values where the independence of self-employment is particularly attractive (Burns, 2016). The British Business Bank (2020) found that most **black entrepreneurs** started a business because they wished to do something for their community. This finding may indicate the significance and impact of community and importance of social justice for some black entrepreneurs.

It was found that **women** were motivated to start their business because of the flexibility and autonomy that self-employment offered (Stephan, Hart & Drews, 2015). This finding is supported by the Alison Rose report where women were attracted to self-employment because it offered them a better work/life balance. **Ethnic minority women** were more likely to enter self-employment due to discriminatory challenges which impacted upon their ability to obtain employment (Dy-Martinez, Marlow & Martin, 2017).

Norstedt and Germundsson (2021) highlight four themes that they found were motivational drivers for **disabled people** in entering entrepreneurship: economic motives; flexibility and self-determination; avoiding discrimination; and personal development and being able to contribute something (Norstedt & Germundsson, 2021).

In her study of **gay entrepreneurs**, Laura Galloway (2011) found that creating a work environment which was defined by themselves was a motivational factor in self-employment.

As aforementioned, there is very little research on **LGBTQ+** groups in entrepreneurship and thus, the themes, barriers and challenges which will be explored in the following section will be based on research surrounding sub-groups within the LGBTQ+ community, for instance, the gay and/or LGBTQ+ community.

Themes, barriers and challenges relating to under-represented groups in entrepreneurship

Under-represented group category

In examining the challenges and barriers experienced by under-represented groups in entrepreneurship, there are some core themes that arise from a review of literature. Wishart (2020) states that there are four main barriers to entrepreneurship for under-represented groups:

1. Inability to access finance
2. Lack of human capital
3. Lack of social capital and networks
4. Discrimination.

Other research has highlighted further challenges for under-represented groups, such as a lack of role models, unconscious bias (Santander, 2021), stereotypes and a lack of training relating to entrepreneurship (Ipse, 2019).

It is now important to explore the particularities and the finer details of the barriers and challenges faced by groups within the under-represented entrepreneur category in the UK, as is the case in the previous section, the focus will be on ethnic minority, women and disabled entrepreneurs.

“Black-run businesses are four times less likely to get finance from banks”.

Ethnic minority entrepreneurs

Ethnic minority entrepreneurs typically have higher levels of educational achievement compared to their white counterparts but experience worse outcomes (British Business Bank, 2020). Ethnic minority businesses may be diverse in nature, however, there are some commonalities that need to be acknowledged within this group of businesses and entrepreneurs. According to OPEN (2020) many ethnic minority businesses are sole traders or family owned enterprises. It has been suggested that ethnic minority entrepreneurs experience discrimination at all stages of their business life which can have an impact upon the entrepreneurs' mental health and their business growth (FSB, 2020). It has also been suggested that ethnic minority businesses experience systematic disadvantage (British Business Bank, OPEN 2020).

There are distinct over-lapping barriers and constraints experienced by ethnic minority entrepreneurs and other under-represented entrepreneurship groups, most notably, women entrepreneurs. For instance, Bridge & O'Neill (2013) argue that research surrounding women and ethnic minority entrepreneurs tend to focus upon theories relating to a lack of “human capital”, “social capital” and “economic capital”. Human capital relates to the role of education, job-related skills, training and experience. Social capital puts an emphasis on the importance of connections and networks within the community and economic capital explanations of entrepreneurial barriers and constraints focus upon the experience of ‘economic under-development’ (Ibid).

Prevalent themes relating to ethnic minority businesses have found that ethnic minority businesses tended to be concentrated in low growth sectors and reliant on ethnic communities for customers (Wishart, 2020, Sithas & Surangi, 2021; Drakopoulou Dodd & Keles, 2014). However, the FSB (2020) cautions that although we might find ethnic minority entrepreneurs in older traditional sectors, it is evident that businesses that are founded by younger UK-born entrepreneurs and recent immigrants are more likely to be found in less traditional sectors and professions such as electronics, pharmaceuticals and advanced manufacturing.

Although there are a range of themes in literature relating to the barriers and constraints experienced ethnic minority entrepreneurs, for the purposes of this report, the most commonly referred to themes will be explored below. The three themes that will be discussed are: access to finance, business support and perception.

Access to finance

Access to finance is the most frequently cited barrier for ethnic minority entrepreneurs (FSB, 2020). It is seen as a major barrier particularly for Black, and Asian and Other Ethnic Minority entrepreneurs and the main reason why 39% and 49%, respectively, stopped working on their business idea (British Business Bank, 2020). Black-run businesses have been found to be more than four times more likely to be denied a loan compared to white-run businesses (BEIS, 2020d). In a report by 10x10 (The Black Report) in partnership with Google for Start-ups, it was found that 88% of black founders self funded part of their ventures. Interestingly, only 22% of black founders funded their start-up through the help of friends and family (25% of the amount who self-funded their venture) (The Black Report, 2020).

Wishart (2020) suggests that reasons for lower levels of ethnic minority entrepreneurs' accessing formal sources of finance (such as bank loans) for their business is multi-faceted in literature and research and includes issues such as, racism, an absence of assets for use as collateral and low levels of educational achievement. Conversely, the British Business Bank (2020) blames a lack of planning, a lack of personal contacts and customers, their personal circumstances and being overwhelmed by the choice of funding available as possible causes why ethnic minority entrepreneurs may be put off applying for finance.

Ethnic minority entrepreneurs are more likely to rely on informal sources of finance either by financing the start-up of their venture themselves or accessing funds through informal networks (Deakins, 2005, Šebestová and P. Krejčí, 2021, CRED, 2021). This way of accessing finance may have an impact upon ethnic minority entrepreneurs getting their businesses off the ground and impact upon the growth of the businesses that have been started up.

Business Support

Wishart (2020) found that ethnic minority entrepreneurs are less likely to access formal business support agencies due to a range of factors such as a lack of awareness of business support existence, a lack of trust in business support and a perceived lack of relevance of the support to their business. In support of this finding, the FSB (2020) found that ethnic minority entrepreneurs had a low engagement with mainstream support and advice, but this was most commonly seen in older traditional ethnic minority businesses, such as those that operate within traditional sectors.

As can be seen in Figure 2, there are some variations in the access of business support services across ethnic minority groups. For instance, 35% of mixed & other-led businesses and 32% of Black/Black British-led businesses using business support in 2015, compared to only 16% of Asian/Asian British-led businesses. In contrast in 2018, business support use dropped by 23% for Black/Black British-led businesses, whereas the number of businesses using business advice increased among Asian/Asian British-led and mixed-led businesses.

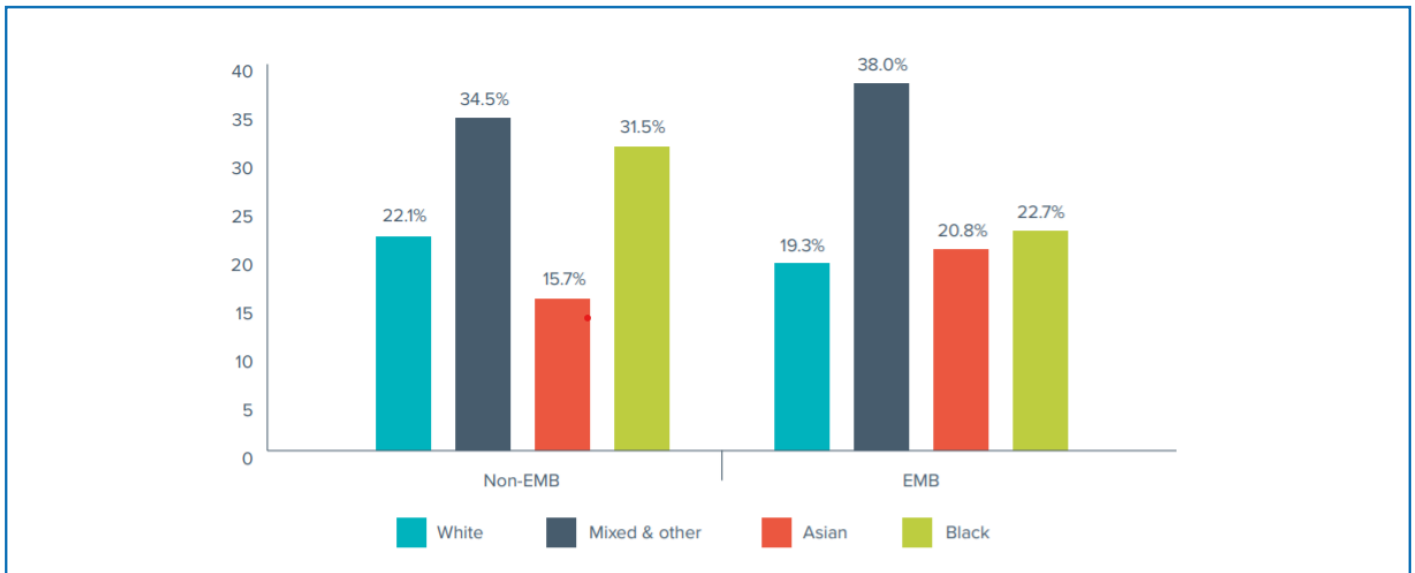


Figure 2: Proportion of SMEs using Business Support, split by Ethnic Group Source: Longitudinal Small Business Survey (FSB, 2020)

In addition to constraints regarding accessing business support, OPEN (2020) found that ethnic minority entrepreneurs are disconnected from mainstream business networks. To counter this barrier, the UK has seen a rise in business networks, support and training that is tailored specifically for ethnic minority founders and entrepreneurs. Adding support to this need, a study by Santander (2021) found that 70% of women of colour founders felt that tailored business support would be beneficial in supporting their enterprise development.

Tailored business support in the UK tends to refer to ethnic minorities (and other under-represented groups in entrepreneurship using terms such as: ‘minority’/’minoritised’/’underserved’/’diverse’/’ethnic minority’/’BAME’ and ‘black’ groups:

1. Examples of tailored business support specifically for ethnic minority groups in the UK:

- Foundervine: is a black-led organisation that creates opportunities for leaders, creators and innovators from “underserved” communities to “have the tools to build the organisations of tomorrow.”
- Do it Now Now: is a black-led social enterprise serving “black” people through the provision of financial inclusion and opportunities, and training in entrepreneurship.

2. Examples of business support biased in favour of under-represented groups:

- Visionnaires: “helps new businesses succeed” and targets local communities through Further Education colleges to reach women and ethnic minorities.
- Hatch Enterprise: serves “under-represented” entrepreneurs in the UK to “imagine, launch and grow businesses” that have an impact on their communities.

3. Examples of business networks serving primarily ethnic minority entrepreneurs in the UK:

- Black Business Network: is a network for “black” entrepreneurs aimed at strengthening business connections, financing and knowledge within the black community.
- MSDUK: is a membership network for “ethnic minorities” to bring innovative ideas to market, provide leadership programmes and work with global corporations who understand the value of supplier diversity.
- African Business Chamber: is a membership organisation representing African owned businesses and entrepreneurs in the UK.

Perception

The final barrier and constraint explored in this report in relation to ethnic minority entrepreneurs in the UK is perception, which can be split into categories of external and internal perception.

Examples of barriers and constraints related to external perception are judgements made about the entrepreneurs' ability leading to differential treatment such as discrimination and stereotyping.

Internal barriers and constraints relate to the ethnic minority entrepreneurs' entrepreneurial self-efficacy as well as their perception of discrimination (e.g. in accessing finance) in wider society. Entrepreneurial self-efficacy can be described as the extent to which entrepreneurs are confident about their own entrepreneurial skills to complete various tasks and projects relating to their business (Boyd and Vozikis, 1994; Chen et al., 1998).

External Perception

Šebestová and P. Krejčí (2021) found that “minority entrepreneurs” are disadvantaged as a result of stereotyping. This stereotyping can be based on “racial, ethnic, religious or other social assumptions and can create discriminatory conditions for these groups” (Šebestová and P. Krejčí, 2021: 444).

OPEN (2020) found that most of the ethnic minority entrepreneurs that were interviewed for their study had experienced discrimination in their business life. Likewise, OPEN (2020) suggested that one of the reasons why there are fewer black entrepreneurs in particular in the UK, is because they tend to face greater discrimination and unconscious bias.

Internal Perception

OPEN (2020) found that a major barrier experienced by ethnic minority entrepreneurs is doubt (or a lack of self-confidence). This lack of confidence is attributed to a lack of role models and the social norms and expectations of minority groups in society. Importantly, OPEN (2020) suggests that many ethnic minority businesses could achieve more if the challenges they face are addressed.

The perception that mainstream business support is not suitable for ethnic minority businesses is also a constraint experienced by ethnic minority entrepreneurs. For instance, the Department for Communities and Local Government (2013) found that ethnic minority entrepreneurs had low confidence in business support due to a perception that they lacked cultural sensitivity and that they were intimidating (DCLG, 2013).

As demonstrated in the discussion above, access to finance remains a key barrier for ethnic minority entrepreneurs with research suggesting that ethnic minority entrepreneurs face constraints in accessing finance through banks and also through VCs (British Business Bank, 2020, OPEN, 2020, CRED, 2021). However, it is important to note that there is no evidence to support the argument of racial discrimination or prejudice by the banks (DCLG, 2013). Nevertheless, research suggests that there is a perception among ethnic minority entrepreneurs that they may experience discrimination and prejudicial treatment when seeking to access finance (DCLG, 2013). This argument is supported by the Commission on Race and Ethnic Disparities (2021) who found that many ethnic minority entrepreneurs were discouraged from seeking finance due to a perception of systematic disadvantage (CRED, 2021).

“Just one in three entrepreneurs in the UK are women, with figures showing that there would be 1.1 million more businesses – an additional £200 billion in revenue to the UK economy – if the proportion of female entrepreneurs was the same as Canada, Australia and the US..”

Women entrepreneurs

A number of the barriers surrounding women entrepreneurs and entrepreneurship relate to ‘gender-related’ factors, such as having “life experiences [that are] different from men’s” leading to women doing business “differently” (Bridge & O’Neill, 2013: 115). Women entrepreneurs are argued to have fundamentally different characteristics to their male counterparts which leads to differential outcomes (British Business Bank, 2020). For instance, more women tend to work part time before entering entrepreneurship and their outcomes are affected by the different experiences and expectations of women in society (Ibid.). Women entrepreneurs tend to launch their business with less capital compared to their males and tend to be less aware of the funding opportunities available to them (Rose Review, 2021). This information asymmetry could have implications upon the growth and sustainability of women’s businesses and the opportunities that they are exposed to.

Authors have suggested that constraints experienced by women entrepreneurs range from the 5 ‘Ms’: money, management, markets, motherhood and the macro- and meso-environment (Bates et al., 2007; Brush and Welter, 2009). However, for the purposes of this report, attention will focus upon the three main constraints most frequently discussed in literature relating to female entrepreneurs: family and caring responsibilities, access to finance, and role models and social networks.

Family and children responsibilities

Family and caring responsibilities is seen as the number one barrier for business success for female entrepreneurs who have children and family responsibilities (Rose Review, 2019, Villaseca et al, 2020, Deloitte, 2016). Almost half (46%) of female parent entrepreneurs identified that children and family responsibilities represented a “very important” or “important” barrier (Rose Review, 2019).

In a survey carried out by Nat West 57% of respondents either “strongly agreed” or “agreed” that family care responsibilities had presented challenges in the smooth running of their business. Fifty percent (50%) of women either “strongly agreed” or “agreed” that family care responsibilities had impacted plans for future growth of their business (Nat West, 2019).

Access to finance

Access to finance appears to be a major barrier for women entrepreneurs as in the case for ethnic minority entrepreneurs (British Business Bank). The Rose Review (2021) found that access to finance was the number one barrier for female entrepreneurs at every stage of their business journey (Rose Review, 2021). Female-led businesses tend to receive less funding compared to those that were headed by men at every stage of their journey (Rose Review, 2019). Nonetheless, Manolova et al (2010) draws caution to suggestions that women experience discrimination in accessing finance and draws attention to the possibility that women fail to access finance on favourable terms.

In a survey of 500 female-led start-ups and aspiring female entrepreneurs in 2017, 40% were unaware of the process of seeking funding (Allbright, 2017). This finding strongly draws attention to the need for mechanisms to increase women entrepreneurs’ understanding and awareness of funding options at all stages of business life.

Women are also argued to have a lower tolerance for financial risk and therefore tend to draw upon their own savings or informal sources of finance as opposed to exposing themselves to debt (Rose

Review, 2021, Deloitte, 2016). This bootstrapping approach can impact the growth and creation of entrepreneurial activities (Villaseca et al, 2020). It is important to note, however, that when female founded start-ups do receive initial investment, they are just as likely to raise additional rounds of funding in comparison to non-female founded firms (Babu, 2020).

Lack of role models and social networks

A consistent finding in research relates to female entrepreneurs not having the same number of role models in entrepreneurship compared to their male counterparts (Rose Review, 2019, Barclays Bank, 2019). For instance, Barclays (2019) suggest that female role models in entrepreneurship are important for aspiring female founders and more support for them is needed as they provide influential and relatable examples of achievement.

The significance of women founders having female role models are three-fold: 1. Aspiring female entrepreneurs can have someone that they can identify with who may have a similar responsibilities and demands (e.g. family and caring responsibilities), 2. Women may feel more comfortable in seeking the help and support of a female founder compared to male entrepreneurs for a variety of reasons, such as those relating to cultural, social or attitudinal factors, 3. Heightened inspiration could be achieved through exposure to female role models and mentors. Women entrepreneurs may be able to relate more earnestly to their female role models' and mentors' journey in entrepreneurship and the barriers and constraints that they face.

Women entrepreneurs tend to have **fewer social networks** compared to their male counterparts (Blackburn & Smallbone, 2015). Supporting this argument, Menzies (2021) conducted a review of studies related to social networks and women entrepreneurs and found that females lacked social capital and networks and tended to rely on family networks and ties. The main reasons given for the differences in levels of social capital and networks between men and women relate to the "gender hierarchy" entwined with social and cultural norms (Menzies, 2021).

The conclusion that women, in general, are disadvantaged in comparison to men, in terms of venture-related social networks, is a common finding across current research. Studies attest to male advantage and female disadvantage in the existence, extent and usage of social networks (Menzies, 2021: 72).

Another constraint experienced by women entrepreneurs relates to stereotyping and perception of entrepreneurial ability and skill. The Rose Review (2019) found that women felt less confident in their abilities to start and run a business. This perception by women entrepreneurs meant that some felt that they did not belong to the "entrepreneurial world" (Rose Review, 2019: 10). This perception of a skill gap was also found in the same study's research on ethnic minority women, but the perception of a skills gap was felt more strongly compared to other women.

Intersectionality

It is important to draw attention to the significance of intersectional identities and particularities in entrepreneurship themes. In 2018, about 42,000 ethnic minority-led firms were also women-led (17% of the total) drawing attention to the importance of intersectional identities in entrepreneurship (FSB, 2020). In a study by the FSB (2020) female-led businesses were most commonly found in businesses that reported a mixed or multiple ethnic group management team.

Businesses that were led by females from Asian/Asian British backgrounds made up 39% of the female and ethnic minority-led business community (FSB, 2020). Santander (2021) found that women of colour lacked trust in banks even when they needed finance. As in the case with previous research on women entrepreneurs, women of colour more likely to rely upon informal sources of support, such as friends and family (Santander, 2021).

“Too little research has been done on the experience of disabled entrepreneurs and those from the LGBTQ+ community.”

Disabled entrepreneurs

Disabled people who enter self-employment are more likely than average to have no educational qualifications compared to other entrepreneurs (IPSE & IPA, 2018). As seen in the case of ethnic minority entrepreneurs, disabled entrepreneurs struggle to gain access to start-up capital and also experience discrimination from banks (Wishart, 2020). It is argued that disabled entrepreneurs lack confidence and the skills necessary to start their own business (OECD, 2017). This finding draws attention to the need for increased capacity building and skills support for disabled entrepreneurs. Disabled entrepreneurs tend to also face a financial dilemma relating to taking the plunge to be self employment and losing income and state support benefits (Drakopoulou Dodd & Keles, 2014).

Access to finance

Disabled entrepreneurs are more likely to be found to be in a precarious financial position which means that it is difficult for them to develop strong credit ratings to secure loans in the commercial marketplace (Drakopoulou Dodd, 2015, Boylan and Burchardt, 2002). In research conducted by IPSE and the IPA (2018) it was found that banks lack an understanding of disabled entrepreneurs' background and personal circumstances. Banks also failed to take disabled entrepreneurs' background and personal circumstances into account and consideration when deciding on whether to provide a loan or not.

Lack of tailored business support

Support that is tailored towards the specific needs and requirements of disabled entrepreneurship groups has been viewed as a way of better supporting disabled entrepreneurs in business, and in improving their outcomes for business success (OECD, 2014a, DWP, 2019). Wishart (2020) found that mainstream business support for disabled entrepreneurs may not be provided in a format that meets the needs of the disabled entrepreneurs. For instance, in research by Drakopoulou Dodd & Keles (2014) it was found that services were only accessible to the fully able-bodied or failed to communicate in a manner or format that was accessible to those with sensory impairments.

Support agencies were also found to lack knowledge about the needs and requirements of disabled entrepreneurs and in some instances, discouraged them from entering self-employment (Drakopoulou Dodd & Keles, 2014; Boylan and Burchardt, 2002).

“There is demand for support for disabled entrepreneurs that is distinct from that aimed at others in self-employment. There is particular appetite among individuals for tailored support in the form of peer mentoring, but also an information hub with information specifically for disabled entrepreneurs” (DWP, 2019: 8).

Social capital and human capital

The last barriers and constraints that will be explored in relation to disabled entrepreneurs in the UK are social and human capital. Social capital can be viewed as integral to entrepreneurship success, however, as disabled groups experience relative exclusion from educational and workplace interactions, they tend to be at a major disadvantage in developing social capital and networking ties required to support entrepreneurship (Drakopoulou Dodd, 2015).

Research conducted by IFF Research on behalf of the DWP (2019) suggests that networking is a substantial barrier for disabled entrepreneurs for a number of reasons, such as: the scheduling of networking events impacting disabled entrepreneurs' ability to participate and attend. In the same report, it was found that disabled entrepreneurs experienced difficulties in connecting with people for their business and this was linked to issues such as: their disabilities, feelings of fatigue or low confidence.

In regard to human capital, the disabled self-employed face barriers in gaining training and qualifications due to financial constraints. A recent Involvement and Participation Association (IPA) report uncovered that disabled entrepreneurs have relatively low levels of formal training and this lack of engagement with formal training sources is likely to be based on reservations about the cost. Thirty-one percent (31%) of the respondents surveyed in the IPA report said that they did not want to spend time training when there was the possibility of earning money instead (IPSE & IPA, 2018). This finding highlights the need to provide affordable and accessible training, not just to disabled entrepreneurs, but also to under-represented entrepreneurs in general.

LGBTQ+ entrepreneurs

Research suggests that LGBTQ+ people experience labour market discrimination in the UK (OECD, 2019). It has also been shown that they experience a penalty in relation to labour earnings compared to heterosexual employees (OECD, 2019). This structural disadvantage could play a role in motivating entrepreneurial start-up rates for LGBTQ+ groups.

In academic research, Galloway (2011) draws comparisons with studies focusing on female entrepreneurship and uncovered that, homophobia for some gay men, was a factor in influencing a move towards self-employment. It was also found that the discrimination experienced by the gay men in her study was also experienced in business ownership in an indirect and implicit way. Notwithstanding this, Galloway (2011) found that there were far more positive motivators for entrepreneurial start-up than negative. Gay entrepreneurs tended to be motivated by a desire for autonomy and a need to define and shape their working environment. They were also motivated by opportunity recognition and potential economy freedom (autonomy).

Conclusion

While under-represented entrepreneurship groups in the UK face a number of challenges and barriers, such as, difficulty in accessing finance, lack of role models and lack of social capital and networks, there are some benefits and strengths of involvement in self-employment. Ethnic minority entrepreneurs have the drive to succeed against the odds, the determination to overcome challenges and possess a diversity of skills, experience and perspectives (OPEN, 2020). Ethnic minority businesses also tend to be more innovative and are more likely to export compared to their non-ethnic minority counterparts (FSB, 2020). Entrepreneurship offers disabled entrepreneurs with the ability to work more flexibly around their conditions and impairments (IPSE, 2019), but also active labour market participation (OECD, 2014b). LGBTQ+ entrepreneurs have reported that entrepreneurship has offered them financial autonomy and the ability to define and shape their working environment. Women entrepreneurs make a sizable contribution to the UK economy but remain subject to barriers which impact upon the representation in entrepreneurship and access to resources (such as finance). Increased support is needed for female owned businesses and other under-represented entrepreneurship groups in the UK to ensure that there is a diverse representation of entrepreneurs, and that entrepreneurship is accessible to the many, not just the few.

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