

Under-represented entrepreneurs: A literature review

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ABSTRACT

Some groups of individuals, migrants, people with disabilities, those with low educational attainment, ethnic minorities and women, are under-represented in entrepreneurship. Research shows that individuals from these groups that do succeed in starting their own businesses often experience greater barriers to entry, and lower turnover and survival rates than their mainstream counterparts. This review considers research that examines why this might be. Academic and non-academic research papers are included, both of which indicate that the barriers to entrepreneurship that under-represented groups experience can be attributed to their characteristics or circumstances. Some barriers tend to be common to all groups, for example, discrimination, access to finance, access to relevant entrepreneurship advice, and lack of business skills and experience. In addition to this, research indicates the likely impact of group-specific barriers. Migrants, for example, often face language barriers, and their lack of familiarity with host country institutions and culture can make setting up a business challenging. Recent research indicates that dominant stereotypes around migrant entrepreneurs, which present them as embedded in ethnic enclaves and restricted to low-skill and profit sectors, do not reflect the diversity of this group. Disabled entrepreneurs additionally face the so-called benefits trap, in which the fear of losing benefits discourages them from becoming self-employed, and often lack social networks and role models to encourage them. Low educational attainment is often cited as one of a number of barriers faced by other groups of under-represented entrepreneurs, however relatively little published research considers the obstacles experienced by the less-educated per se, which is a gap in the literature. Research has largely ignored the double or even triple-disadvantage that some individuals face, due to combinations of factors that they experience, and this perhaps also merits further focus. Also worthy of further focus is the idea, as advanced by some researchers, that the characteristics and experiences of individuals in some under-represented groups can help to foster skills and resilience in them which may be beneficial to their entrepreneurial ventures. Some attention has been paid to interventions which may help to mitigate the barriers that under-represented groups face, as well as to reduce the failure rate of their businesses. Those identified include specialist training for advisers, and business skills training for under-represented entrepreneurs but again, more focus is needed in this area. Overall, this review highlights the complexity of this area, and the variety of barriers that these individuals experience. It is clear that a 'one size fits all' solution is inappropriate and that instead, policies and interventions need to be informed by a more

detailed understanding of these under-represented groups, which could give rise to more flexible and nuanced approaches.

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1. INTRODUCTION

Entrepreneurs are defined as individuals ‘who seek to generate value through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets’ (OECD, 2017, p18). The case for entrepreneurship as an enabler for individuals who experience disadvantage, to help them to transcend their circumstances, or as a tool to tackle discrimination and to increase social inclusion has been made repeatedly (e.g., Alvord et al, 2004; De Clercq and Honig, 2011; Fairlie, 2005). This review assesses academic and grey literature to date which focuses on issues related to under-represented groups and entrepreneurship, with the aim of establishing the current state of this stream of research. It seeks to answer the following questions:

- What are the main themes emerging from research to date into under-represented entrepreneurs?
- What unique challenges and opportunities do entrepreneurs from under-represented groups experience?
- How do the experiences of entrepreneurs from different under-represented groups vary?
- What contribution do under-represented entrepreneurs make to job creation and economic growth?

Groups that are under-represented in entrepreneurship include ethnic minorities, women, people who identify as having disabilities, migrants and those with low educational attainment (Blackburn and Smallbone, 2015). The last three groups (migrants, the disabled and those with low educational attainments) form the initial focus of this review, which will be expanded in due course to include women and ethnic minorities. Research shows that these groups can experience significant barriers to setting up and sustaining their own businesses, and this is attributed to a number of factors including lack of skills and experience, discrimination, difficulty accessing finance and poor human and social capital (Halabisky, 2015; Fairlie, 2005). Human capital is defined here as an individual's personal skills knowledge and experience, and social capital as the resources that an individual is able to access through their personal networks (Halabisky, 2015). Although some barriers are common to different groups, others are specific to certain groups (OECD, 2017). Exploring the reasons underlying the barriers, whether common or specific, ought to help with the development of policies and intervention to address them, thus improving social inclusion,

and delivering positive outcomes for the entrepreneurs themselves as well as for society as a whole.

EU employment rates for individuals from the under-represented groups identified above tend to be lower than average, and unemployment rates tend to be higher. The unemployment rate for disabled people aged 20 to 64 in the EU is 17% compared to 10% for those without a disability (European Disability Forum, 2017) and migrants to the EU have an 8.4% higher unemployment rate than EU-born workers (Eurostat, 2017). Difficulty securing employment, perhaps because of the barriers they face, has been advanced as one reason underpinning the choice of some of these specific groups of individuals to engage more in entrepreneurial activities than their mainstream counterparts. As noted above, entrepreneurship has often been advanced as a way in to work for groups that experience disadvantage. However, research has shown that these individuals experience more challenges than their mainstream counterparts in starting up and sustaining their own businesses. Additionally, their businesses tend to be more precarious, with lower turnovers and survival rates and an increased likelihood of dependent self-employment, where they have only one customer, and so-called ‘false’ self-employment, where they are self-employed but effectively work as employees (OECD, 2017).

2. STRUCTURE OF THIS REVIEW

This review focuses on research contemplating the three under-represented groups identified above – disabled entrepreneurs, migrant entrepreneurs and entrepreneurs with low educational attainment. The main themes in academic and non-academic literature to date with a focus on these groups are identified and discussed, before the review concludes with a number of suggested foci for future research, to address gaps in the knowledge in this area.

3. MIGRANT ENTREPRENEURS

According to the OECD (2011), migrant entrepreneurs are defined as ‘foreign-born business owners who seek to generate value through the creation or expansion of economic activity, by identifying new products, processes or markets’ (p141). Migrant entrepreneurs are diverse and the variety in scope, size and nature of the businesses that they run reflects this diversity. Data on the economic contribution made by migrant entrepreneurs is scarce (Lofstrom, 2014), but according to the OECD (2010) in 2005, 20% of businesses in London,

employing 56,000 people and generating GBP 90 billion in revenue (11% of all business revenue in London) were migrant-owned. Between 1998 and 2008, migrant entrepreneur-owned firms employed 2.4% of the workforce of OECD countries (OECD, 2011). As well as making a material economic contribution, migrant entrepreneurs arguably accelerate globalisation with the introduction of new products and services (see below), and empirical research indicates that the presence of migrants in a locality increases entrepreneurial activity (Mickiewicz et al, 2017). Despite these contributions, there is relatively little focus in academic literature on migrant entrepreneurship (Ram et al, 2017). Addressing this gap requires researchers to engage with a broad range of academic and non-academic stakeholders in order to gain an understanding of the area, and in doing so to contribute to wider debates related to social inequalities. Research to date has considered the barriers that migrant entrepreneurs face, the role of social networks in migrant entrepreneurship, and to a lesser degree predictors for success of migrant entrepreneurial businesses.

Migrant entrepreneurs face additional obstacles to self-employment over and above those experienced by the native population of their chosen countries, including language barriers, a lack of understanding of the culture of their new country and a lack of knowledge of the prevailing political institutions and regulations. This lack of language skills and understanding of their environment can mean that they are unaware of, or unable to access, support available to them as new entrepreneurs (OECD, 2017). The OECD suggests that the key to addressing these barriers is in the development of effective outreach programmes. Unsurprisingly, the barriers they encounter, and the ways in which they deal with them, have formed the main focus of research to date into migrant entrepreneurship.

The barriers they face have been characterised as ‘push’ factors in the creation of migrant entrepreneurs as well as obstacles. Azmat (2013, p200), for example, asserts that ‘economic necessity, social exclusion, lack of education and skills, high levels of unemployment, and language barriers’ constitute the main drivers to migrants becoming entrepreneurs. Thus, their prior experience can often be a driver to self-employment, because they struggle to find suitable employment elsewhere. Azmat argues that in trying to establish their own businesses, some migrants face double or even triple disadvantage, based upon their status as migrants but additionally, for example, as women and as originating from developing countries. She points to radically different social, institutional and cultural orientations in their host countries compared to their countries of origin, which means that they can find the context of their host country difficult to negotiate. This can mean that they struggle to gain

access to finance, and to navigate unfamiliar regulations. Language barriers and lack of local knowledge can exacerbate this, and mean that they are unlikely to access available support networks and sources of assistance (Azmat, 2013). Access to finance has often been noted as a significant barrier to ethnic minority, and thus to migrant, entrepreneurs. Some studies indicate that this is down to discrimination, and unequal treatment, (e.g., Ram and Jones, 2008), while others point to language barriers and limited knowledge of financing and how to access it as more likely reasons (e.g., Drori and Lerner, 2002). Religious barriers, in the form of a prohibition on paying interest, for example, can also play a part in putting migrant entrepreneurs at a financial disadvantage. Some cultural factors (e.g., work ethic, thrift) have been observed to contribute to entrepreneurial success in migrants, while others such as cultural expectations and religious beliefs can act as obstacles (Ensign & Robinson, 2011). Discrimination against ethnic minorities in paid employment, underpinned by negative stereotyping, has also often been identified as a 'push' factor, driving migrants towards self-employment (Ram and Jones, 2008). In some cases, ethnic groups have arguably constructed an identity for themselves as natural entrepreneurs, possibly as a way of promoting entrepreneurialism in response to the inequalities that they face (Ram and Jones, 2008). Education and skills in the entrepreneurs themselves have been found to be consistent predictors of success in migrant entrepreneurial enterprises (Lofstrom, 2014).

Dominant narratives have typically cast migrant entrepreneurs as advantaged by their embeddedness in their ethnic networks (e.g., Lofstrom, 2014). This stereotypical view contends that migrants derive benefits from these ethnic networks, including captive markets of enclaves of fellow migrants and access to financial and other resources, and that this allows them to transcend the discrimination that they face and to become economically successful (Ram et al, 2017). The benefits have been characterised as coming from the sheer proximity of their customers as well as from ethnic loyalty (Ram and Jones, 2008). Insights related to the importance of family and co-ethnic networks have been mixed - some studies have found that strong family and co-ethnic ties are positively correlated with business success for migrant entrepreneurs (e.g., Zimmer and Aldridge, 1987) however migrants with higher numbers of natives from their host countries in their networks have also been found to be more resilient to economic downturn than those with predominantly migrants (Chiesi, 2014). Strong networks with family and with their ethnic community have also been found to be a negative influence on the development of an entrepreneurial business, as those striving to establish their businesses find themselves over-embedded in

these networks to the extent that they are constrained by them, and struggle to move beyond them in pursuit of business growth. This negative impact can manifest itself in obligations to employ, trade with and support network members, to the detriment of the business (Ensign and Robinson, 2011). Ethnic enclaves and the co-ethnic networks that they often produce have also been found to engender intense competition among migrant-led businesses, thus reducing opportunities and profitability (Fairlie and Loftstrom, 2013).

This de-contextualised approach has underpinned much research in this area, which has tended to adopt a social capital focus, with a strong emphasis on the social networks of the migrant entrepreneurs. Kloosterman and Rath (1999) argue for the influence of external business contexts including 'the socio economic and politico-institutional environment of the country of settlement' (p253) to be considered. This 'mixed embeddedness' approach takes account of market environment as well as social capital of the migrant entrepreneurs. It argues that the market is not a level playing field for migrants who experience disadvantage related to their resources as well as discrimination, which restricts their openings to specific, often low skill and value segments.

Migrant entrepreneurs are often depicted as over-represented in low-skill and low-profit sectors of the economy with relatively low barriers to entry, such as wholesale, retail and restaurants (Kloosterman and Rath, 1999; Lofstrom, 2014; Ram et al, 2017). Research to date focusing on the UK has also shown that in times of recession, migrant entrepreneurs are likely to be hardest hit because of their over-representation in low-skilled occupations where job losses are likely to be highest (Somerville and Sumption, 2009). However this perception is starting to be challenged. According to the OECD (2011), for example, migrant entrepreneurs are represented in as wide a variety of sectors as natives, and a majority now work outside traditional ethnic sectors. Ensign and Robinson (2011) argue that migrant entrepreneurs may often start in traditional sectors, but that they are often driven to do so because of discriminatory practices that mean they struggle to get a job, and because of the disinclination of mainstream businesses to cater for the needs of ethnic minorities. They also note a tendency for migrant-owned businesses to extend into the mainstream, by bringing the products and services originally designed for ethnic markets to the mainstream market. Such disruptive innovation has, they argue, irreversibly altered host markets, as these products and services have become a part of mainstream life in the host country.

To summarise, research to date with a migrant focus has offered insight into some of the motivations for this group to pursue entrepreneurship and into the barriers that they face, some of which they share with other under-represented groups and some of which are unique to them. Deep-seated stereotypes about this group cast them as embedded in and dependent upon their cultural enclaves, however recent studies have challenged this perception. Similarly, research is starting to question the dominant view of migrant entrepreneurs as concentrated in low skill low profit sectors.

4. DISABLED ENTREPRENEURS

In 2009, 25% of the population of the EU aged 16 or over had an impairment of some kind. Disability is correlated with lower employment rates and earnings, and disabled people who are in employment tend to work in lower-skill, lower-pay roles (Kitching, 2014). According to government statistics, in 2012 in the UK 46% of working age disabled people were in paid employment compared to 76% of non-disabled people (UK Government, 2014). This disparity is often attributed to discrimination, but also to the common presumption that employing people with disabilities has health and safety implications, and to financial incentives which do not work to motivate employers to employ disabled people (Cooney, 2008). The implications of these statistics for the well-being of disabled individuals as well as for society as a whole are significant, and often entrepreneurship is presented as a way of increasing participation rates of disabled people in the labour market. In fact, EU and US data shows that self-employment rates are higher for disabled people than for those without a disability. For example, in the UK, 18% of disabled men and 8% of disabled women are self-employed, versus 14% and 6% respectively for people without a disability (Boylan and Burchart, 2002). Data on the economic contribution made by disabled entrepreneurs is scant, and there is a paucity of research in this area (Renko et al, 2016).

Impairments and disabilities are diverse and a first step in addressing issues related to employment barriers for disabled people is to acknowledge that impairment characteristics vary significantly in terms of type, severity, stability, duration and time of onset (Berthoud, 2011). For example, as discussed below, recent research has identified constraints and opportunities related specifically to mental health disabilities (Stephan, 2018). More than this, personal characteristics and socio-economic circumstances also vary, meaning that a 'one size fits all' approach is unlikely to be appropriate when developing policy (Kitching, 2014).

Research to date on disabled entrepreneurship has considered motivations to become self-employed, which have tended to be characterised as either 'push' or 'pull' factors. Pull factors include things like the flexibility of being self-employed, and increased autonomy, while push factors may include lack of employment opportunities and discrimination (Boylan and Burchart, 2002). Cooney (2008) asserts that reasons for starting a business in disabled people can be complex, often driven by both negative 'push' factors and positive 'pull' factors. He notes that 'while there are many positive reasons for people with disabilities establishing their own business, prejudice and other negative motivations remain the key initiating factors' (p128). He also notes a disconnect between dominant perceptions of successful entrepreneurs and the perceptions that disabled people have of themselves – essentially, many do not see the identity of entrepreneur as available to them, or as compatible with their disabled status.

Researchers have also considered the barriers that disabled people face when attempting to become entrepreneurs. Some of these barriers are relevant for a number of under-represented groups, and some are specific to people with disabilities. In common with other groups, disabled entrepreneurs struggle to gain access to start-up capital, and this is often attributed to a poor credit rating due to lack of employment prospects, and the discrimination of banks towards people with disabilities (Kitching, 2014). Also in common with other under-represented groups, people with disabilities can lack the skills and confidence necessary to start their own business (OECD, 2017). They often also lack the aspiration to become an entrepreneur (OECD, 2014), perhaps because of the way that they are positioned by others and by society as a whole. An absence of appropriate business advice which may encourage entrepreneurial activity is also often noted in research (Pavey, 2006; Boylan and Burchardt, 2002), and this is likely to be attributable to a number of factors. In some cases, the aspirant entrepreneurs simply don't see themselves as disabled, and so do not seek out specialist advice. More commonly, those giving the advice do not have the expertise and experience necessary to be able to identify and offer appropriate support to people with disabilities, and this is undoubtedly sometimes driven by unconscious bias. Support materials are not always available in a format suitable for disabled individuals (e.g., in braille, in audible format). For disabled individuals in particular, support services may be physically inaccessible.

Research has also identified specific barriers entrepreneurship for disabled people. Kitching (2014) asserts that the benefits trap, in which disabled potential entrepreneurs are discouraged from starting a business by the prospect of losing their existing benefits, is a

significant barrier. Boylan and Burchardt (2002) find that many disabled people are unaware of in-work tax support available for them, and contend that fear of losing housing benefits is the main barrier related to the benefits trap. As noted above, if advice is available, disabled people often report that advisers dissuade them from entrepreneurial choices, perhaps because of unconscious stereotyping or bias (Pavey, 2006). Disabled individuals may experience additional bias – similar to the double disadvantage outlined above – if they belong to more than one under-represented group. Hence, disabled women or disabled migrant entrepreneurs often find themselves experiencing more than one source of disadvantage when it comes to starting up a business. Drakopoulou Dodd (2015), for example, notes that disability is often combined with poor educational attainment, which leads to double disadvantage. Disabled people often also lack social networks which can facilitate entrepreneurial start-ups, and role models (Uddin and Jamil, 2015). Researchers have contended that while barriers to entrepreneurship can be similar across a range of under-represented groups, ‘...for disabled people they may be more acute or more difficult to overcome’ (Boylan and Burchardt, 2002, p8).

Conversely, the experience of having and living with their disability has been characterised as a factor that can contribute to their entrepreneurial abilities. Researchers have asserted, for example, that disabled people derive skills through facing and coping with their disability which equip them well for entrepreneurship, notably problem-solving and innovation skills honed by having to overcome adversity throughout their lives (Cooney, 2008; Drakopoulou Dodd, 2015; Maritz and Laferriere, 2016). Some research into disabled entrepreneurship has found that the support of family members, both in terms of encouragement and provision of finance, and access to in-work benefits can act as enablers to disabled individuals seeking to start their own businesses. (Boylan and Burchart, 2002). Research focusing on mental health disabilities has found a positive association between some disabilities and entrepreneurship. For example ADHD, which is classed as a psychological disorder, appears to encompass traits and features which facilitate entrepreneurship in some individuals (Stephan, 2018).

Suggestions to address the barriers faced by disabled entrepreneurs include the bringing together of disabled people and those who can offer support on entrepreneurship through networking events, in order to start a dialogue and to allow the supporters to understand the situations of disabled people better (Drakopoulou Dodd, 2015). Advisory skill training for supporters, and entrepreneurial skill training for the disabled are also advanced as policy recommendations to address the disadvantage that disabled entrepreneurs can experience

(Maritz and Laferriere, 2014). OECD (2014) research has also identified the role of technology in facilitating entrepreneurship, in particular by improving disabled peoples' connections with the world. Further research focus on this under-researched area is also recommended (Pagan, 2009).

This is a diverse group, and the wide range of different impairments experienced by disabled entrepreneurs makes it challenging for research to identify insights and interventions that are appropriate for all. As with migrants, aspirant entrepreneurs from this group experience barriers that they have in common with other under-represented groups, as well as those unique to their particular circumstances. Entrepreneurship is often advanced as a way into the workplace for people with disabilities, and so a better understanding of the diversity of impairment, and of the way that people with different disabilities experience barriers, could offer much to policy and practice.

5. ENTREPRENEURS WITH LOW EDUCATIONAL ATTAINMENT

Relative to the bodies of research devoted to migrant entrepreneurs and disabled entrepreneurs, the body of literature that investigates educational attainment and its relationship with entrepreneurship is perhaps less developed. Fairlie's (2006) USA-focused research finds that those who drop out of their high school education are significantly less likely than those who complete their education to start a business. For those that do start a business, there is a negative correlation between level of education and the likelihood of the business failing, and further, in the event of failure, the less-educated are more likely to move to unemployment. In addition to this, low educational attainment is thought to contribute to the challenges experienced by a number of entrepreneurs, including migrant and disabled (Fairlie, 2006). Jiménez et al (2015) note that previous studies have found a link between education and successful formal entrepreneurship (e.g., Delmar and Davidsson, 2000, in Jiménez et al), although they argue that educated individuals are probably also more likely to do well in paid employment. Probing the link, Jiménez et al (2015) find that both secondary and higher education is linked to successful entrepreneurship because of the higher self-confidence, lower perceived risk and enhanced human capital that it confers. Education also enhances potential entrepreneurs' capabilities to detect and evaluate business opportunities.

Acknowledging that less educated people are more likely to experience disadvantage, Becker's (1962) human capital thesis asserts that investing in skills and abilities impacts positively on the individuals as well as on their organisations, and this notion underpins a

number of studies in this area. Kim et al (2006) see skills as central to entrepreneurial success, asserting that ‘... neither financial nor cultural capital resources are necessary conditions for entrepreneurial entry. By contrast, potential entrepreneurs gain significant advantages if they possess high levels of human capital’ (p5). In a review of literature focusing on the impact of formal schooling on entrepreneurship, Van der Sluis et al (2008) find overall that education has a positive and significant effect on entrepreneurial performance, but highlight problems of definition and measurement in some studies, arguing that as a body of work, this lags behind the schooling-employees literature. They find no link between formal schooling level and likelihood to engage in entrepreneurship. Unger et al (2011) undertake a review of literature focusing on human capital, including education experience knowledge and skills, and entrepreneurial success, and also find a body of work that is fragmented insofar as different conceptualisations of human capital are employed, and a variety of success indicators and contexts are examined. Nonetheless, this review concludes that there is a small but significant relationship between human capital and success, particularly in younger businesses, but that the relationship is stronger for current task-related skills than for general educational attainment. Investigating the link between level of formal education of an entrepreneur and the quality of the strategic decisions that they take, Sonfield and Lussier (2014) conclude that ‘a greater level of education leads to choosing “better” entrepreneurial innovation/risk situations and their appropriate entrepreneurial strategies’ (p24). Estrin et al (2016) find that higher levels of education (e.g., university-level) may be especially relevant to the identification and development of social entrepreneurship initiatives.

While the studies outlined above evidence some focus upon the link between formal education levels and entrepreneurship, as noted by Unger et al (2011) this is a relatively emergent and fragmented body of work. Low educational attainment has more often been considered as an additional source of disadvantage experienced by other under-represented groups. However, the research that has considered educational attainment per se, indicates that it is linked to entrepreneurial performance and can impact positively on business performance. Specific skill-focused education in particular appears to have a stronger link than general education to the performance of an entrepreneur’s business. These findings suggest that more focus in this area is needed, to elucidate the connection between formal education, skills training and entrepreneurial success.

6. CONCLUSIONS

Significant bodies of research, both academic and non-academic, have delivered varying degrees of insight into the experiences of these three groups of under-represented entrepreneurs, however much of this research has focused explicitly upon describing barriers and difficulties, and significant gaps remain in understanding of the way that these barriers can be negotiated and overcome. Very little research has focused on the strengths of these groups, and on the ways in which these could potentially contribute to their entrepreneurial success.

Migrant entrepreneurs have been studied in some depth, however evidence suggests that this group is starting to evolve beyond its origins in low-skill, low-profit sectors which are embedded in ethnic communities. Examining this evolution, perhaps with some focus on the length of time that migrants have been in their host countries, which has largely been ignored in studies to date, might improve understanding of the way that this group experiences entrepreneurship in the twenty-first century. For disabled entrepreneurs, more understanding around the diversity of impairment they experience and the way that this impacts upon their entrepreneurial ambitions would enable the development of relevant policies and interventions. As Fairlie (2005) notes, entrepreneurs with low educational attainment have received less attention in the literature so far than migrants and those identifying with a disability, however lack of educational qualifications has often been included as one of a number of factors present in other under-represented groups. The research that has been undertaken suggests that there is a link between formal education level and entrepreneurial success, however understanding of the barriers that the less educated experience is quite superficial. This is a gap in the literature.

The notion of double or even triple disadvantage emerges in a number of research reports, whereas much research to date has addressed under-represented entrepreneurs in distinct groupings. Further, Blackburn and Smallbone (2015) also note that physical location of the entrepreneur appears to be a compounding factor in relation to under-represented groups. For example, they assert that entrepreneurs in deprived locations appear to experience more problems in accessing finance, which makes it more challenging for start-ups and sustainability. In some cases this may result in double-disadvantage for some groups, such as ethnic minorities who live in poorer parts of the inner-cities. Exploring the overlapping nature of many potentially disadvantaging factors may offer a different perspective from

which to consider policy and practice related to entrepreneurship in under-represented groups.

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