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# **Black and minority ethnic graduate entrepreneurs: Motivations, characteristics and access to finance<sup>1</sup>**

By

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**Abstract:** This paper draws upon four case studies to examine characteristics, entrepreneurial motivations and access to finance of black and minority ethnic (BME) graduates in the UK. We find that BME graduates starting a business are motivated by a desire to “do better”, and rely heavily on personal savings and family sources for start-up capital. There is, therefore, a need for support agencies and universities to recognise the *distinctive* nature of BME graduate enterprise in order to provide effective solutions for different groups. This might include a) work experience, b) advice on an adequate capital structure at start up, c) adequate funding and training, and d) appropriate training for all graduates in basic business education.

**Keywords:** entrepreneurship, graduates, black and minority ethnic, characteristics, motivations, finance

### **BMEs in higher education and enterprise**

Black and minority ethnic (BME) graduates are over-represented in higher education in the UK (Hannon *et al*, 2006) and, although 11% of the UK higher education population are BME students (Race for Opportunity and Hobson’s, 2004), this figure disguises considerable regional variation - with key cities having larger BME populations. In 2002, for instance, 43% of Birmingham’s school children were from BME groups and given the higher propensity of BMEs to attend universities while living at home (Smetherham, 2005), many will attend university. Furthermore, Barclays Bank (2005) found that twice as many BME than white businesses were being established. This combination of education and the higher propensity for entrepreneurship needs a systematic exploration and, in particular, issues related to entrepreneurial motivations and financing. However, research has also shown that levels of unemployment are on average higher for BME graduates (Smetherham, 2005), with poor levels of pay and job satisfaction (Connor *et al*, 2004) along with evidence of ‘over-education’ (Alpin *et al*, 1998). Many BME graduates will become self-employed as a solution to these employment difficulties.

In this paper, we set out to investigate motivations, characteristics and access to finance of BME graduate entrepreneurs. First, we review the existing literature and develop a conceptual framework for the purpose of this study. Second, in order to explore the key issues in depth, we employ the case study approach to investigate the experiences of BME graduate entrepreneurs. Third, the qualitative analysis that emerged from this study is then summarised followed by some recommendations for policy-makers and for higher education institutions.

### **Literature review and conceptual framework**

In the UK the numbers of small businesses owned or run by BMEs has grown rapidly over the last two decades, increasing from 9% in 2000 to 11% by 2004 (Small Business Service, 2004). With higher levels of immigration, due to global factors and as a result of European Union enlargement, the UK continues to develop a diverse ethnic mix. Existing research is mostly concentrated on understanding the practices and challenges facing

BME businesses, although issues in relation to access to finance for BMEs started to gain recognition in the early 1990s (Deakins and Hussain, 1993). Our analysis of the two major reviews of enterprise education and graduate entrepreneurship literature in the 1985-2004 period indicates that, although comprehensive, the literature does not focus on any aspect of BME graduate entrepreneurship (Gorman *et al*, 1997; Hannon *et al*, 2004).

Hannon *et al* (2004: 8) adopt the following definition of motivations: “influences affecting the career choices and decisions of students and graduates,” and specifically how education shapes these perceptions, with a distinction between “desirability” and “feasibility.” More recently, though, papers such as Mason *et al* (2006) have reviewed the characteristics of graduate start-ups and found also that graduate entrepreneurs’ sectors were office-based, such as business services, as opposed to non-graduates being “located in a factory, workshop or business unit.” The National Employment Panel (2005: 18-19) considered the participation of ethnic minorities in employment and entrepreneurship, noting that the motivation for first generation BME businesses was “necessity” due to unemployment, but for the younger generation 85% cite “market opportunity” and only 15% “necessity”. In addition, this study found that 85% of Asians and 82% African Caribbeans as opposed to 69% of whites move from further education to higher education, but ethnic minority graduates actually experience 6% lower employment rates. A recent study in Birmingham found higher further education participation rates amongst African Caribbeans but a greater likelihood of unemployment (Wisdom, 2006).

BME entrepreneurs experience constraints in accessing finance, especially during the start-up phase (Ram and Deakins, 1996). Whether this disadvantage lies in discrimination or in the perceptions of the borrower, however, has been a recurrent theme in BME business research. The Bank of England (1999) found that financing problems faced by BME businesses were similar to those encountered by all SMEs but that they encounter them in a more acute form at both start-up and growth stages - the bank also suggested that some BME groups continue to *perceive* access to finance as a disproportionate difficulty for their communities (as in Kon and Storey (2003)’s theory of ‘discouraged borrowers’). Ram *et al* (2003: 27) raised the issue of difficulties in breaking out of traditional co-ethnic sectors, whilst Basu (1998: 223) argued that: “Asian entrepreneurs aspiring to grow need to advance beyond the traditional reliance on informal support networks for finance and labour.” Generational factors may make a difference in how finance is accessed. Hussain and Martin (2005) examined the access to finance and capital structure of New Asian Entrepreneurs (NAEs), defined as second generation British Asian business owners. The research reported that it is misleading to treat BME entrepreneurs as a homogeneous group, especially the second generation who have both education and financial endowment that came about from the trading activities of their parents - therefore, access to finance, management skills and knowledge differ across different ages of firms and entrepreneurial generational stage. Other research confirms a shift away from traditional sectors amongst the younger, more educated, UK born South Asian entrepreneurs who pursue corporate and professional employment (Jones and Ram, 2003; McEvoy and Hafeez, 2006). Irwin and Scott (2006) found that only 13% of white respondents reported finance constraints compared to 22% of Asians, 50% of blacks, and 21% within other ethnic groups. Roper *et al* (2006) suggested that ethnic background makes a significant difference to the probability of seeking finance in

that members of the white ethnic group were more likely to seek external finance for their start-up activity.

In many studies, BMEs are treated as a homogeneous group in comparison to their white counterparts. Although the category of “BME” may be subjective and open to criticism, as for that matter might the selection of BME graduates for this study, it does at least provide a different sample frame. The focus of this study is, therefore, to explore and to understand the perceptions and experiences of BME graduate entrepreneurs in the UK. It is not the intention of this study to test the barriers of accessing finance by different BME groups – instead, the purpose is to understand “why” and “how” from the individuals in each case study. A conceptual framework was developed based on previous literature (see Figure 1), and used to explore the key issues within this research.

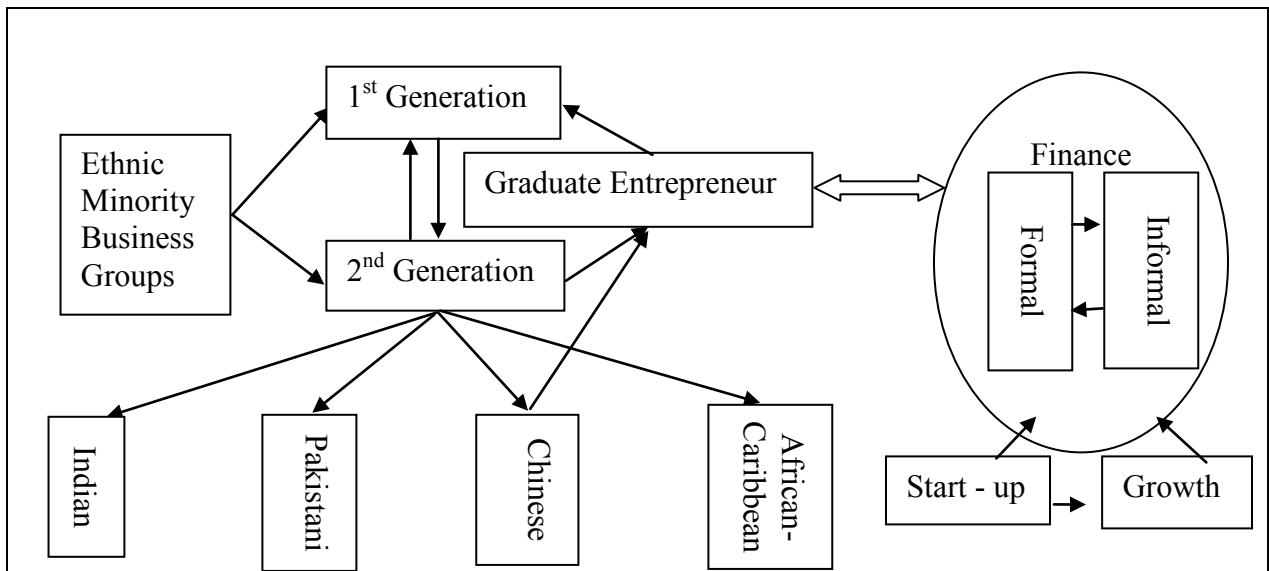


Figure 1 – BME Graduates Entrepreneurs accessing finance

## **Methodology**

To gain a deeper understanding of BME graduate entrepreneurs' characteristics, motivations, and access to finance, a case study approach (a well established methodology for qualitative studies) was considered to be an appropriate research tool to explore "why" and "how". In addition, the use of multiple case studies provided us with an opportunity to examine the wider issues, thus capturing a rich picture to enable issues to emerge. The case study approach does not allow generalisation of trends but provides deeper insights into perceptions, experiences and judgments, to help illuminate each subject's view of the world. Effective qualitative research requires sensitivity in the choice of research instrument and a flexible approach to data collection including the art of asking questions (Silverman, 2005). It also informs the size of the sample in question; the tradition of using small studies in qualitative research (Hill and Wright, 2002) is influenced by the need to examine closely the nature of the enterprises or phenomena under investigation and to ask pertinent questions related to their particular modus operandi. Via case studies it was hoped to obtain an in-depth exploration of each BME graduate entrepreneur, extracting rich insights into the entrepreneurial processes at work in the formation of entrepreneurial intention, and recognising the complexity of this process for the individual (Yin, 1994). We undertook a series of case study interviews, using a semi-structured questionnaire with key themes, designed to investigate:

- (i) Entrepreneurial motivation
- (ii) The process through which BME graduate entrepreneurs embarked upon enterprise
- (iii) How their venture was financed at start up and beyond
- (iv) Their relationship with finance providers.

A selection of 26 BME graduate entrepreneurs who had graduated from a number of local universities were identified, based upon the larger ethnic groupings involved in business in the region. Given potential difficulties in accessing respondents from the ethnic businesses community (Deakins and Hussain, 1993; Marlow, 1992), we utilised personal contacts with graduate entrepreneurs and via the Careers Service of two universities. Four examples were selected from these 26 respondents for further research as case studies. The case studies provide "a way of finding out what others feel and think about their worlds" (Rubin and Rubin, 1995). Therefore, we are not attempting to draw conclusions from the case studies but are using them illustratively and as exemplars in order to understand the entrepreneur's world.

### **Four case studies of BME graduate entrepreneurs**

Four BME graduate entrepreneurs who chose to enter self-employment, currently manage successful businesses and expect their businesses to expand are summarised in Table 2. All four entrepreneurs were educated in UK universities and all had some work experience prior to entering self-employment. With the exception of the Chinese entrepreneur, all come from a working class family background, whose families have made their home in the UK.

<b>Table 2 – Case Study Individual Profiles (n=4)</b>				
<b>Country of Origin</b>	Pakistan (M)	China (M)	India (M)	African – Caribbean (F)
<i>Personal characteristics</i>				
<b>Family Background</b>	Parents immigrants from rural area (with low level of education). Considered middle class in Pakistan	Parents in army, considered privileged social level	Parents in India. Studied and ran business with wife. Considered middle-higher social level (India)	Parents came to UK in 1960s. Born in Birmingham. Considered middle soc. level (Africa)
<b>Nationality</b>	British	Chinese	Indian	British
<b>Qualification</b>	PhD; Qualified Pharmacist	PhD, MSc and BSc	Double BSc	BA
<b>Education</b>	Birmingham school; Aston University	BSc and MSc in China; PhD University of Birmingham	BSc Botany in India, BSc Computing : top up UCE B'ham	BA Wolverhampton University
<b>Experience prior to own business</b>	Researcher - Aston University. Worked for various pharmacies	Researcher - B'ham University. Worked for various companies in China	Worked for consultancy firms and as researcher for UCE B'ham	Trainee Manager for retail store
<i>Business characteristics</i>				
<b>Business Type</b>	Sole Trader; Ltd company, manufacturing medicines	Trade and restaurant	Internet Designer	Food retailer
<b>Sector</b>	Manufacturing	Catering	ICT	Retail
<b>Age of firm</b>	3 years	3 years	2 years	2 years

#### *Case Study A: Pakistani Male, Pharmaceuticals*

**Background:** The entrepreneur was born and educated in Birmingham. He went to a local comprehensive school, his first degree and PhD is from Aston University and he is a qualified pharmacist. His family originated from a rural area in Pakistan. Both of his parents are not highly educated and his father arrived in Birmingham to work in an automotive factory in the late 1960s. His mother is a housewife but has provided tuition to children in the area. His brother and sisters have either completed university degrees or are employed.

**Motivation:** The business is an extension of the entrepreneur's previous research, which had enabled him to enter this specialised niche. The motivation for starting the business primarily arose from his desire to research and develop new products, and to have the freedom to pursue his interests without external constraints. He is a highly skilled chemist who is able to provide bespoke medicines for the local hospitals' patients.

**Finance:** He established his business as a sole trader but his family members have invested money in the business (so, in effect, it is a family partnership although there is no literature that deals with such a business's legal status). His parents and siblings financed the business. Although he has a business account with a bank, he did not approach banks for finance – as he felt that “the cost of borrowing is likely to be too high and he was able to obtain funds from his family”. However, he did contact Business Link and other business support organisations, but although they were useful, and explored possible grants, given the size and investment required the business did not qualify for such grants. He observed that these organisations were most useful in advising on establishing the business, especially marketing and how to organise finance.

The entrepreneur continues to work as a locum pharmacist, in addition to managing his business, to supplement his income. Hence, he is not taking any substantial profits out of the business at this stage – so he is reinvesting the surplus from his business into its future development. His expectation in terms of future turnover growth is dependent on the changes envisaged in the Government's legislation that can either enhance his business' chance of success or could negatively impact upon future business. He expects the business to grow by 10-20% over the next year and thereafter double the turnover. He does not foresee a significant increase in the number of employees, currently 7, in the next year.

#### *Case Study B: Chinese Male, Catering*

**Background:** The entrepreneur came to the UK as a visiting scholar, working in a hospital in London. At the end of his visiting scholarship, he applied for an MPhil Experimental Pathology in a London Hospital and his PhD degree was from the University of Birmingham. He worked there initially as a Research Fellow but left and took over a clinic and started his business. After 6 years in the Chinese herb business, the entrepreneur sold his business and started a new business that sells chemical equipment from the UK to China. He started the business due to a business opportunity stumbled upon and was able to persuade some investors from a network from a previous business to invest a large sum of money.

**Motivation:** The entrepreneur's parents were from the Chinese army. His family have joined him since he moved to the UK, but his wife left him later and finally divorced due to different life beliefs. His wife would like to see him have a proper job either working in a hospital or working as a Research Fellow in Higher Education, but could not cope with an uncertain life in a foreign country. His son is currently living with him and is studying for A levels. Believing that the previous business had reached the peak point of the product life cycle, the entrepreneur started a new business selling and manufacturing chemical equipment from the UK to China. The motivation of the business primarily arose from identifying a good marketing opportunity and also capital available for the investment.

**Finance:** An experienced entrepreneur based outside the UK financed the business. The capital needed for starting the business was £500,000 due to the expensive nature of the equipment and manufacturing costs. The capital was provided from his personal savings, from partner investment and also some finance was in the form of credit



buying. Despite already having a business account with a UK bank, he did not approach the bank for finance since: “the cost of borrowing is likely to be high and I was not sure whether banks would lend money to a foreign citizen without a work permit who is residing in the UK”. He employed 3 people in this business. Two years later (2005), he started a new business in Birmingham - a Chinese restaurant, again with his existing business partner. The required capital for this business was £200,000, again mainly from his personal savings and his partner’s investment. For this new business, the entrepreneur did approach the bank by presenting his business plan. However, he believed that the approval process was too slow and too difficult to comply with, plus felt that the bank was very reluctant to lend him money and gave up on the bank. The new restaurant business reached break even only 3 months after it started.

#### *Case Study C: Indian Male*

**Background:** The entrepreneur was born in India in a middle class family who had a stake in academia and business. After completing his schooling in a good private school, the entrepreneur joined a BSc Computing course in India. On completion of the course he took a bank loan to study in the UK to top up his Bachelor degree of Information Technology at UCE Birmingham. Due to his extensive knowledge in the IT field, he was able to secure employment at UCE on a temporary basis in the first place. The entrepreneur identified the business opportunity by working with his supervisor whilst studying for his PhD level research, and hence the entrepreneur decided to start a business that complemented his skills and expertise, as he believed there was an untapped niche in the market.

**Motivation:** The motivation for starting the business primarily arose from the desire to develop new products and also to maximise his knowledge, and the belief that he “can do better”. He established the business as a limited company with his wife and both of them invested money in the business. Currently, it has 3 employees and he hopes to take on about 20 – 30 employees within the next 3 years and with turnover to increase by ten times.

**Financing:** The Internet business was financed from the savings of the husband but had support and reassurances from their family members, mainly parents, should the need arise. Although to establish a business it would normally require substantial sums of money, because of the nature of the Internet business, the start up cost was not high and the couple already had quite advanced computing equipment. They did not feel the need to approach anyone to raise the extra funds from outside. The entrepreneur invested £2,000 savings plus £1,000 overdraft and set up the business. The entrepreneur thought this method of financing suited their needs best as it will not expose them to a high level of risk, “I don’t like to borrow money and I won’t be comfortable if I have to remember how much and when do I need to pay back money.”

The entrepreneur did go to the bank where he held an account to ask for an overdraft facility to cover short-term needs. Based on his previous dealings, having an account with the same bank helped in negotiating an overdraft facility of £10,000. The bank did suggest that he consider applying for a loan as that would be cheaper and give him more certainty with which he could plan his business. However, the entrepreneur did not feel the need for a loan and felt an overdraft was something over which he could have more control.

The business is still at its start up stage and the first annual turnover was £50K, and the entrepreneur is expecting that the business turnover will grow within the next 3 years to £500,000 per annum. When asked what he would do differently should he start again, the entrepreneur stated that “...if I had a chance to start again, I would do more market research, get to know a good accountant friend and learn all about marketing.”

*Case Study D: African-Caribbean Female, Retailing*

**Background:** The entrepreneur was born in Coventry and was brought up in Birmingham in the district of Handsworth. She attended a local comprehensive school and went on to attend a local college, where she took vocational qualifications and entered the university much later to study a business related course. Whilst studying at Wolverhampton, she gained confidence and was motivated and very much influenced by one of the academics, who encouraged young people to take risks in order to create wealth. A work placement opportunity was offered to her, to spend a year in a medium-sized accountancy firm providing accountancy services to a large number of ethnic small businesses in the area.

**Motivation:** During this placement, she felt that she learned a great deal about the success and failure stories of small businesses and at the same time saw the opportunity in those businesses with a low start-up capital. Having left university, she started to work with a fast food company as a trainee manager. Although the job was rewarding, she felt that if she were to run her own business, she would probably make more money and have a better life. Her own self-confidence, boosted by recognition from others of her talents, enthused her to start her own business – focussing on the niche market of African-Caribbean community needs.

**Finance:** The entrepreneur felt that it would be unwise to tie up all her capital by starting a large venture, so avoiding high debts. She negotiated a rent-free deal for the first 6 months with the owner of the premises, which had been unused for some time. The owner was able to acquire basic working tools at a low price as she made use of her contacts with her existing employer and was able to buy equipment at a negotiable price. She also used her contacts and experience to negotiate facilities with suppliers to purchase raw material on credit. The value of this arrangement, she estimates, was well over £16,000. Also, she secured grants worth £3000 and was offered an overdraft facility of £10,000 by the bank. This facility was offered without the bank asking for security, given the size of the loan and entrepreneur’s previous good track record. The entrepreneur does expect to use a bank loan of around £250,000 once the business is well established, to expand and secure better premises. The declared turnover is £50,000 per annum and she expects it to double over the next 2/3 years.

The entrepreneur believes that her university education has enabled her to secure her first employment in the retail sector job. She also gained a much better appreciation of the business world, and what makes the economy tick, and this enabled her to set up her own business. The entrepreneur has no regrets about leaving her employment as the returns she expects are more than sufficient to compensate for the salary forgone from her employment.

## Key issues emerging from the case studies

As described in the methodology, these are emergent issues and are not robust conclusions due to the case study methodology adopted (see Table 3).

Country of Origin	<b>Pakistan</b>	<b>China</b>	<b>India</b>	<b>African - Caribbean</b>
Gender	M	M	M	F
Generation	2nd	1st	1st	2nd
Motivation	Expertise + do better + Niche market	“do better” + Opportunity	Do better	Knowledge + opportunity + Niche market
Formal finance	None	None	overdraft	Overdraft option
Informal finance	Immediate family	Investor + own saving + customer credit	Own saving	Own saving + friends
Education Discipline	Pharmacy	Medicine	IT	Accountancy
Current business	Sole trader – pharmacy industry	International trade – chemical industry	IT – Internet design	Food retail
Approach Bank (Y/N)	N	Y	N	Y
Purpose if “Yes”	N/A	Loan possibility	N/A	Overdraft
Success (Y/N)	N/A	N	N/A	Y

The case studies of the entrepreneurs were constructed after the first round of interviews. In all four cases, the common theme is success; all the respondents felt that their university education has enabled them to acquire specialist knowledge and skills, which helped them to secure their first employment. All case study subjects have gained by being employed prior to business start up, which enabled them to develop business skills that are either directly employed in the business or indirectly used to develop successful businesses. The key lesson for policy makers is to enable budding graduate entrepreneurs from BME communities to secure employment or placement within organisations, which have the capability to support and enhance their capabilities to be future successful wealth creators.

The educational background of all the entrepreneurs suggests that there is no positive correlation between the type of degree and their propensity to enter self-employment. Graduates from non-business related disciplines appear to have a higher likelihood of entering enterprise. The skills and their ability to focus on a niche they are familiar with enable them to have a much more focused approach. Therefore, education institutions may wish to widen the provision of enterprise education for specialised technical orientated degree programmes. In particular, short courses, which provide general awareness of business and management provision, should be made available to all students at the university. Such a strategy will ensure graduates from all disciplines have an opportunity to gain some minimum level of knowledge of the business world.

We deliberately chose entrepreneurs born in the UK and outside to draw attention to the fact that those born outside tend to have greater exposure to enterprise culture than UK-born BME entrepreneurs. For two out of four case studies, entrepreneurs were born and educated in the UK. In both cases there is no history of family involvement in the business. The contrast is that one studied business related subjects at Wolverhampton and the second was pharmacy at Aston. In the case of the African-Caribbean entrepreneur, she had worked as a placement student and was not able to secure employment of her choice but she excelled in the management role. The second best choice for the African-Caribbean owner may have propelled her towards self-employment. In the case of the pharmacist, he also considered self-employment after encountering “glass ceilings” in his role as a researcher at the university. However, the contrast is that the pharmacist entered into a highly specialised, high cost pharmaceutical manufacturing business whereas the African-Caribbean entrepreneur entered a traditional sector that had low initial investment capital requirement. The lesson that can be drawn for policy makers is that low skill and cost based business start-ups may have fewer barriers to entry, in terms of finance, than businesses that are technology and skill based.

In this case, the pharmacist’s family was able to support his venture, which may be considered to be quite risky, but has the potential to significantly add to the wealth of the nation. To encourage such budding entrepreneurs, support agencies need to develop dedicated services to support and enable them to choose the right source of finance. For example, in the case of 100% non-borrowed finance is it appropriate in terms of tax efficiency and what are the implications for its efficient capital structure? If this help was available, the entrepreneur would then have the relevant and appropriate cost of capital to evaluate his/her project to arrive at a decision on whether to accept or reject the project.

In the case of our other two entrepreneurs, who were born and educated in their formative years in China and India respectively, and have also gained subsequent higher education in the UK and worked at the institutions where they were educated prior to starting their respective businesses. They also suggest that the motivational indicators differ but there is quite a contrast in terms of the initial capital introduced; for the Indian born entrepreneur (a UCE graduate) his investment was a mere £3000 whereas the Chinese entrepreneur (a University of Birmingham graduate) used £500,000. Although the nature of the business differed, the key point that emerges from all the participants in this study is that graduates from post 1990 universities tend to have low capital at the start-up stage and do not necessarily enter into technology oriented businesses. We acknowledge that, although we are not comparing like for like, the contrast is glaring. A possible explanation may be that students from affluent families enter traditional universities and have the resources to finance businesses which require larger initial start-up capital. Therefore, policy makers may develop a two-prong strategy to support potential entrepreneurs to have an equal playing field for all, especially when raising finance at the start-up stage.

There is no single model that is used by all four entrepreneurs in terms of the amount of debt and equity in their capital structure. However, the one theme that emerges from the analysis of the case studies and responses from the larger sample of 26 entrepreneurs is that of caution and general reluctance to use debt capital. Bank finance appears not to be a specific source of funding for the entrepreneurs in the case studies; results very much consistent with the recent reported research. However, the majority of

respondents, including the four in the case studies, would have preferred to have started with greater capital. The implications of undercapitalisation may be that entrepreneurs' performance and effectiveness could be adversely impacted upon. These findings suggest that the policy makers and support agencies could attempt to provide an independent service to assess potential business proposals of entrepreneurs and provide them with an assessment as to whether the proposal is backed up with adequate capital. This will ensure that the firm is not undercapitalised at start-up and could concentrate on business development.

Graduate entrepreneurs appear to have the capacity, skills and willingness to start up in non-traditional sectors within which the BME population has not generally had presence. Such a trend provides diversification and employment opportunities for the ethnic population. This finding serves to encourage policy makers to support businesses started by the BME graduate, to develop capacity within inner cities to absorb the unemployed and develop the capabilities to overcome a skills deficit. There is overwhelming evidence to suggest that the kind of businesses graduate entrepreneurs pursue require larger start-up capital. The support agencies and government grants do not appear to be a significant source of funding for such businesses; as reported by one respondent, given the size of capital required, this excluded his business from the remit of the support agencies. Such an approach adopted by the support agencies negatively impacts upon the graduate entrepreneur's business set-up, as it may make him or her less likely to access the advice and support from these agencies. Therefore, policy makers may want to review their provision for business start-up to provide advice and support for the graduate entrepreneurs.

In the case studies, where bank finance is attained, it is of larger amounts and security was required in all cases, which was provided by the entrepreneurs themselves or their families; collateral did not appear to emerge as an issue nor was there any incidence where banks used the Small Firms Loan Guarantee Scheme to offer a loan. However, this does not suggest that collateral is not an issue. The implications of this are that graduates whose families are relatively well endowed are able to provide the requisite security and financial support and that graduates from less well off families were exposed to financial exclusion. Therefore, banks and the government need to develop strategies to support entrepreneurs who have the potential but lack the finance to take their ideas forward. There appear to be marketing opportunities for banks to be actively involved with these potential high value businesses and not be used just as service providers, such as business accounts where money is deposited and withdrawn. The four case studies suggest that banks' role as a provider of finance is not significant and businesses seem not to fully utilise the broad range of bank finances. However, the entrepreneurs did acknowledge that banks are keen to do business with them.

In the literature, it is often reported that entrepreneurs are most likely to be successful in attaining a loan when they apply to banks where they have held accounts over a longer period of time as it minimises information asymmetry. In this study, that appears to hold but there is evidence of entrepreneurs using their networks and accountants to access different banks. The increased competition amongst banks in the UK and emergence of international banks has forced the traditional high street banks to be proactive in seeking business. More use of BME loan managers and greater use of professional networks appear to have had a positive impact for ethnic businesses in

general in improving access to finance. Furthermore, the increase in the number of professionals working in accountancy and legal firms has enhanced the functioning of the networks between the existing and new businesses. In a few cases, family connections and custom with certain banks were used in support of their application for finance. This suggests that banks have gained cultural awareness and are able to use this as evidence in support of loan applications, something that may not sit easily with modern techniques for assessing the viability of loan applications.

## **Final remarks**

The four case studies in this paper provide insights into successful BME graduate entrepreneurship. The contribution that university education made is the acquisition of specialist knowledge and skills that enabled the entrepreneurs to secure their first employment, but evidence elsewhere suggests that in many cases this actually acts as a brake on entrepreneurship (Jones and Ram, 2003; McEvoy and Hafeez, 2006). There is no conclusive evidence that suggests in this study that BME graduates entered entrepreneurship because of unemployment; with the exception of a few, all had jobs prior to entering self employment. “Glass ceilings”, originally used to describe barriers for women, were often cited by ethnic minorities as a kind of barrier, but there was reluctance to specify exactly what that meant. Also, lack of satisfaction from working for others is considered to be a strong motivator for entering self-employment but other reasons, to be one’s own boss and the prospect of higher earnings, are also strong motivators.

An opportunity to work within an organisation, prior to starting their own venture, is acknowledged to be of high value as it enabled them to develop business skills. There is a case to be made for longer placements and mentoring to support budding entrepreneurs. There is no positive correlation between the type of degree and their propensity to enter self-employment. Graduates from non-business related disciplines appear to have a higher likelihood of entering enterprise. Therefore, education institutions may wish to widen the provision of enterprise education for specialised technical orientated degree programmes. Further research to test the findings in this area would be a key component of developing policy in this area.

Banks are an important source of finance for the entrepreneurs but family finance appears to be more dominant. BME graduates appear to be risk averse and less willing to incorporate debt in their capital structure; however, it is recognised that there is no comparable study or data that may be used to compare the level of risk aversion. The capital structure with lower debt level has tax implications and the cost of capital being used to evaluate the projects may lead to an incorrect ‘accept or reject’ decision. Though not conclusive, as the data set is not large enough to test, some inferences may be drawn that graduates from traditional universities have a greater ability to secure larger sums of money from their families. Therefore, policy makers may develop a two-prong strategy to support potential entrepreneurs to create an equal playing field for all, especially when raising finance at the start-up stage. The support provided at start-up for BME graduates may be subject to the mean level of income and savings of entrepreneurs rather than the size of the business. Elsewhere, Ram and Jones (2007) have identified the lack of targeted, needs-based EMB/entrepreneurship policies.

Entrepreneurs in the case studies would have preferred to have started with more capital but it appears as if they are not empowered to access it, which suggests that there is a finance gap for this group of entrepreneurs. The implications of such a gap are that entrepreneurs' performance and effectiveness is adversely impacted upon. These findings suggest that the policy makers and support agencies should attempt to provide an independent service to assess potential business proposals of entrepreneurs and provide them with an independent assessment as to whether the proposal is backed up with adequate capital. This will ensure that the entrepreneur is not under capitalised at start-up and could concentrate on the business development with confidence. BME graduate entrepreneurs have similar aspirations to their white counterparts and start businesses in non-traditional sectors. Such a trend provides diversification and employment opportunities for the BME population. This finding serves to encourage policy makers to support businesses started by the ethnic graduate, to develop capacity within inner cities to absorb unemployed and develop the capabilities and skills to overcome a skills deficit.

The amount of finance for the kind of businesses graduate entrepreneurs pursue require larger start-up capital, which is not supported by the support agencies and government grants. Therefore, policy makers may want to review their provision for business start-up to provide advice and support for the graduate entrepreneurs. Collateral does appear to be a significant factor, though not an issue for the businesses in the four case studies. However, this has implications for graduates from within inner cities whose families do not have sufficient assets to prove security for a loan. Therefore, banks and the government need to develop strategies to support entrepreneurs who have the potential but lack the finance to take their ideas forward. The case studies suggest that there are marketing opportunities to be exploited by banks. Active involvement by banks provides them with potential high value businesses who would be future users of their products and services.

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