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**THE NEW GENERATION: CHARACTERISTICS AND MOTIVATIONS OF
BME GRADUATE ENTREPRENEURS**

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THE NEW GENERATION: CHARACTERISTICS AND MOTIVATIONS OF BME GRADUATE ENTREPRENEURS

Abstract

Purpose – The purpose of this research is to profile the characteristics and entrepreneurial motivations of graduate entrepreneurs from black and minority ethnic (BME) communities.

Design/methodology/approach – To gather the data, the authors interviewed selected individuals from within the BME community (including current students and graduates from various universities, predominantly in the West Midlands), analysed the transcripts and compared the findings with a review of the relevant literature.

Findings – Evidence suggests that BME graduate entrepreneurs were diverse in terms of their characteristics: size, gender, ethnicity and when they started the business. Almost all interviewees had worked for someone before they started their business. The two most compelling motivations for start up were ‘being your own boss’, especially for Indians and Bangladeshis; and making more money (31%), in particular for African Caribbeans. Over half of interviewees started a business in a sector in which they had prior experience, knowledge or skills. Two thirds of interviewees obtained advice from family and friends, while just over a third had completed any kind of training or course.

Research limitations/implications – The sample of BME graduate entrepreneurs in this study was both small and selective. It was not statistically significant, nor did it represent a random selection of the BME graduate entrepreneurs in the UK or the respective population mix. Hence, there is a need for a larger scale study and the inclusion of a white control group.

Originality/value – This study has provided an insight into characteristics and entrepreneurial motivations of BME graduate entrepreneurs. Though the results of this study are indicative, there is a compelling case for further research into this relatively unexplored group.

Keywords Entrepreneurs, enterprise education, ethnic minorities, graduates, small firms, motivations

Paper type Research paper

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INTRODUCTION

It is now recognized that demographic trends will lead to greater participation of black and minority ethnic (BME) students in the UK Higher Education (HE) sector. This has implications for the employment and economic wellbeing of BME communities and the UK as a whole. An absence of deeper understanding of the mechanism to develop proactive policies to support entrepreneurship amongst BME graduates is likely to have negative implications. With this in mind, the paper aims to profile the characteristics and entrepreneurial motivations of ethnic minority graduate entrepreneurs (EMGEs). Its objectives are to explore EMGEs' ethnic group, sector, gender, legal status, size, age of business, educational background and work experience, their motivations (for starting the business, and why they decide which business to start), and use of advice and training. More pertinently to this Special Issue of *Education + Training*, this exploratory paper aims to consider how the education (and, to some extent, training) of EMGEs prepares and motivates them towards entrepreneurship and then to suggest a compelling case for future research in this area. The paper is based on a larger study funded by the National Council for Graduate Entrepreneurship (NCGE) exploring access to finance for EMGEs (Hussain *et al*, 2007; Scott *et al*, 2007). However, to date no research has been carried out that examines ethnic minority graduate entrepreneurs and their potential to create jobs and wealth within the relatively deprived inner cities in the UK. It is the first such research study and we hope that it will open the debate and take forward a considered research agenda for EMGEs.

The ethnic minority graduate population is set to increase nationally in the HE sector and has significant economic and wealth creation potential. Currently, 11% of the UK higher education population is ethnic minority students (Race for Opportunity and Hobsons, 2004). In 2002 43% of Birmingham's school children were from ethnic minorities (Collins, 2002). Given that research suggests that, "minority ethnic people are more likely to take HE qualifications than were white people" (Smetherham 2005), it is to be expected that a large proportion of these children will attend university. However, Smetherham (2005) has also shown that levels of initial unemployment are, on average, higher for ethnic minority graduates (especially, for example, male Pakistani and Chinese) than for white graduates. Indeed, ethnic minority graduates are conspicuous in their absence from large firm recruitment

intakes (Smetherham, 2005). Relatively high economic inactivity amongst BME graduates is harmful to the UK's economic wellbeing and would have a negative impact upon the competitiveness of the UK; this is likely to undermine regional and national economic progress. There is evidence also in the literature of 'over-education' amongst BME groups (i.e. the education level is higher than that required by the job in which they are employed), with 29.9% of ethnic minority graduates 'over-educated', whereas white graduates are 26.8% 'over-educated' (Alpin *et al*, 1998). Nabi (2003) found evidence of graduate *underemployment* (i.e. jobs not requiring a degree); and we would suggest that entrepreneurship is one way to overcome underemployment. Indeed, Nabi *et al* (2006) investigated how business start up can be used for 'graduate career-making'. Other evidence is rather contradictory. For example, a study by Connor *et al* (2004) found that, in some cases, ethnic minority graduates report poor levels of pay and job satisfaction that can be attributed to the mismatch between the perceived pay and status of the job, on the one hand, and the level of education on the other. As a result, it is likely that many of these graduates seek entrepreneurship and self-employment as a route out of such low quality jobs. In contrast, the alternative view expressed in some studies is that the younger generation of ethnic minorities have become better educated and have, therefore, in many cases either avoided starting a business or have moved into higher value, high technology sectors (Jones and Ram, 2003; McEvoy and Hafeez, 2006). Whether they went into self-employment or worked for established businesses is not clear. It is crucial that regional and national policy is supportive of BME graduates who wish to pursue entrepreneurship to create the economic base to support the growing young BME population. A new wave of ethnic minority enterprises has the potential to contribute towards economic growth and is vital to regional and national economic strategy.

METHODOLOGY

To collect empirically rigorous data and to obtain a deeper understanding, the authors designed a detailed, semi-structured questionnaire which was piloted in two universities and administered amongst 26 ethnic minority graduate entrepreneurs from a number of universities – predominantly in the West Midlands – who were almost all located in the region. The questionnaire included a series of questions on characteristics and motivations. To gain a deeper insight, four case studies were developed and analyzed in another, separate paper (Hussain *et al*, 2007). The preponderance of South Asian entrepreneurs in our sample is due to the interviews having almost all been undertaken in Birmingham and the fact that the level of African Caribbean entrepreneurship remains relatively lower than that of Asians. Therefore, this group of ethnic minority graduate entrepreneurs can be said to be similar to the population of ethnic minority entrepreneurs in Birmingham. In addition, considering the greater propensity of South Asian graduates to start businesses, the sample profile is broadly in line with that of the ethnic minority graduate entrepreneur population. Given the nature of the study, it would be inappropriate to discuss how “representative” the sample is, as it is not large enough to be representative of the UK (a larger study is, therefore, required in the future). However, this exploratory study of a group untapped by the literature does provide some emergent and indicative findings that warrant future research.

The interviews were open ended, designed to investigate the motivation to start a business, the process through which they started their business, as well as a series of questions on access to finance (see Hussain *et al*, 2007; Scott *et al*, 2007). The interviewers selected a number of ethnic minority graduate entrepreneurs based upon the larger ethnic groupings involved in business in the region. The criteria used to select the respondents was that we sought a variety of ethnic groups in order to enhance the diversity of the sample, but generally we did not seek to influence the composition of our sample by focusing on particular industry sectors.

Admittedly, there are some limitations to the study, one of which is a lack of up-to-date data on graduate entrepreneurship and, in particular, the level of African Caribbean graduate entrepreneurship is unclear. The 2003 Household Survey of

Entrepreneurship (NOP Social & Political, 2004) found that 31% of African Caribbeans were thinking of starting a business compared to 9% who actually were entrepreneurs (compared to 9% and 13% for whites, and 21% and 15% for Asians respectively) – suggesting high levels of entrepreneurial potential or ‘latent’ entrepreneurship. Lower levels of participation in higher education amongst the African Caribbean population will have reduced the level of *graduate* start-ups amongst the group. A second limitation was that, due to the particular contacts that we had through the universities and other networks, the number of Pakistani¹ graduate entrepreneurs (at 12, nearly half of the total of 26) was higher than those of Indians (at 8). We can rationalise this over-representation by saying that the size of the sample makes it unrealistic to try to draw any sort of definite conclusions that would be considered to be statistically representative. However, as this was a pilot study, we do have a number of indicative findings that offer some suggestions for possible differences between separate ethnic groups. A third issue was the over-representation of businesses in the information technology (IT) sector, particularly within the Indian ethnic group, which is accidental but suggests significance amongst EMGEs and one factor that may have provided impetus for such enterprises may be Indian graduate entrepreneurs’ networks and linkages with the booming IT sector in India.

We recognize that one main limitation of the study is the lack of a white graduate entrepreneur control group (such as the white control group employed by Hussain and Matlay, 2007a). To mitigate this limitation, yet focus on different ethnic groups, we have attempted to compare our results to other studies that provide an insight into white graduate entrepreneurs. This we have achieved by linking our findings to those of a number of studies including the Household Survey of Entrepreneurship and the Annual Small Business Survey.

LITERATURE REVIEW

To contextualise this research, we first briefly summarise the findings of two reviews of enterprise education and the graduate entrepreneurship literature – the first conducted by Gorman *et al* (1997) and the second by Hannon *et al* (2004) – in order to demonstrate the critical gaps that our study has attempted to address. These two articles build on the work of Dainow (1986) who reviewed literature for the period 1985-1994, covering propensity, pre- and post-start-up and educational process and structure – both theoretical and empirical articles. However, there is no indication within Dainow (1986) or Gorman *et al* (1997) of any articles prior to 1994 that focused on ethnic minority graduate entrepreneurship. Gorman *et al* (2007) concentrated primarily upon whether students or graduates in general are inclined towards starting a business and upon other aspects of enterprise education.

Hannon *et al* (2004: 6) noted the “paucity of specific literature and the lack of substantial authoritative evaluation in the field,” and that “graduate entrepreneurs are not a homogeneous group.” Indeed, the authors note how student debt could be conceived as a barrier to graduate entrepreneurship (Hannon *et al*, 2004), but a recent survey of over 2,000 current students showed that – rather than acting as a barrier to enterprise – student debt leads to further borrowing to: “reduce the burden of debt, but not at the expense of their enterprise dreams” (Barclays and NCGE, 2005). Thus, the authors suggested that student debt actually encourages entrepreneurship. However, evidence indicates that ethnic minorities are more likely to be supported through university by their family and so student debt would not have been an issue anyway (so-called ‘love money’, see FreshMinds, 2005: 74). We recognise that there is potentially a time lag, in that the burden of student debt and its impact will take time to influence the future decisions of students. This study does not attempt to explain how debt will affect EMGEs and how families, banks and students will respond. More recently, Mason *et al* (2006) have reviewed the characteristics of graduate start-ups, based on their annual Federation of Small Business (FSB) membership survey; however, given the nature of the sample it was not possible to disaggregate this sample by ethnic group. In terms of gender, Mason *et al* (2006) found that graduate

owned businesses were increasingly likely to be female owned, more so than non-graduate businesses. Carter and Shaw (2006: 26) found that: “there has been surprisingly little analysis of ethnic minority women’s enterprise in the UK,” but that: “ethnicity and gender interact to ensure that many ethnic minority women entrepreneurs have a distinctive experience of self-employment and business ownership. There is evidence that the economic, structural and cultural barriers faced by women may be exacerbating the difficulty of entry for women from minority groups. In addition to gender-related barriers BME women face the additional hurdles posed by the potentially racialised structures of work and society” (Carter and Shaw: 50). In effect, it may be equally true that: (i) BME women may be forced into self-employment because of the problems in traditional employment, but that (ii) entry to self employment may be more difficult for women from minority groups. These barriers may be less intense for graduate BME women, but they are still likely to have some influence upon their careers. The literature also includes evidence on motivations (i.e. “influences affecting the career choices and decisions of students and graduates”: Hannon *et al*, 2004: 8) and specifically how education shapes these perceptions, with a distinction between “desirability” and “feasibility” (Hannon *et al*, 2004: 8) – and, indeed, constraints in finance are identified as barriers to feasibility (p29). The conclusion of Hannon *et al* (2004) is that “the literature is generally broad, fragmented and growing” with “many unanswered questions” – to be precise, “only a minority [of studies] are focused on graduate entrepreneurship” and, as a result, the literature is just “able to provide an indicative evidence base” (p10). The report notes that data, such as the Global Entrepreneurship Monitor (GEM) and Labour Force Survey (LFS), give some evidence on graduate entrepreneurship but there appears to be no literature dealing with EMGEs, an important part of the UK economy that has potential to impact on employment and international competitiveness. Hannon *et al* (2004: 39), considering the higher levels of ethnic minority entrepreneurship than white people (but lower levels for African Caribbeans^{II}), ask: “How is this reflected amongst graduate entrepreneurship and are similar experiences observed across all institutions and regions?” There appears, therefore, to be a lack of evidence on EMGEs in general – with clear graduate entrepreneur heterogeneity, differences between EMGEs and graduate entrepreneurs in general ought to be investigated.

The National Employment Panel (NEP) (2005) reviewed the participation of ethnic minorities in employment and entrepreneurship – noting, for example, that 85% of Asian students, 82% of black students and 69% of white students move from further education to higher education (p18), but ethnic minority graduates actually experience 6% lower employment rates (p19). The National Employment Panel (2005: 52) note that the motivations for first generation BME businesses were “necessity” due to unemployment, but that 85% of the younger generation cited “market opportunity” and only 15% identified “necessity”. Tackey and Perryman’s (1999) Graduate Business Start-ups project found that creative arts and design graduates have higher levels of self employment; that there was evidence of family background and familial role models as an influencer; self-employed graduates were driven by “independence” and “flexibility”, as well as familial role models, not money or security; and that 60% of self-employed graduates had no employees. It is acknowledged that graduates have high levels of start-up and self-employment, with particularly high concentrations amongst women (Tackey, 1999). Definitions of (and the difference between) start-up and self-employment have been widely debated, but it is beyond the scope of our paper to address these long established arguments.

RESULTS AND DISCUSSION

Characteristics

Ethnic group: The 26 interviewed ethnic minority graduate entrepreneurs were a diverse group comprising 3 African Caribbeans, 2 Bangladeshis, 1 Chinese, 8 Indians and 12 Pakistanis. As we stated in the introduction, the sample is reasonably similar to that of the ethnic minority entrepreneur population in Birmingham. Most of the interviewed EMGEs were born in the UK (second or third generation) and a small minority were born abroad.

Sector: We found that BME graduate owned enterprises were not in the ‘traditional sectors’ that are normally associated with ethnic minority businesses (EMBs) (Barclays Bank, 2006; Ram and Jones, 2006) and, indeed, tend to be business services (supported by Mason *et al*, 2006; Whitehead *et al*, 2006; Hussain and Martin, 2005).

Indeed, only 15% of interviewed firms were in the food sector and a mere two respondents in clothing, with only one respondent in automobile/transport. Information Technology and professional services at 19% were the predominant sectors. By amalgamating banking and finance and professional services, this would be by far the largest group at 31%. One of the interviewed firms was in the pharmaceutical sector. It suggests that ethnic graduate entrepreneurs may not be following the footsteps of their forefathers but they appear to have benefited from their association with their parental businesses. This is consistent with the findings of Tackey and Perryman (1999) who reported that 63% of graduate entrepreneurs had an entrepreneurial familial role model.

Gender: There were 7 females (27%) and 19 males (73%) in the sample, reflecting the fact that fewer women tend to start businesses, whether white or ethnic minority. Two out of the three African Caribbeans were female, one of the two Bangladeshis, and there was one Indian and three Pakistani females. In terms of sector, the African Caribbean women were in the food and education sectors respectively, whilst the Bangladeshi ran a training firm. The Indian woman was in the finance sector, while the Pakistani females ran two legal firms and a clothing business.

Legal status and size: Exactly half of the ethnic minority graduate entrepreneurs were operating as sole traders (13 - 50%) with an additional 10 (38%) having formed limited companies and only 3 (12%) being partnerships. Coincidentally, the same percentage splits emerged when we looked at numbers of employees. Half of the firms had between 1 and 5 employees and 38% had 6 or more employees. In fact, the highest number of employees out of all surveyed firms was 24 employees. Only 3 (12%) had no employees. The indicative findings suggest that ethnic minority graduate entrepreneurs may have greater capacity to create jobs, although these jobs could be limited numerically (supported by published research such as Whitehead *et al* (2006) for BME firms and Mason *et al* (2006: 8), for graduate enterprises). Consequently, the combination of being an ethnic minority and a graduate leads to higher levels of employment within the firms – and also higher growth businesses because of the higher-growth potential sectors entered. We would suggest that this is a winning combination that warrants further exploration.

Age of business: The longevity of businesses in the sample was also considered. The analysis of the age of the business showed that over half of the sample businesses were aged 2-3 years old with a further 7 being less than 2 years old (including 2 which were less than a year old). The research also found that there was wide variation by ethnic group in terms of the age of the business. Only 20% of the black and minority ethnic businesses in the Annual Small Business Survey were less than four years old (Whitehead *et al*, 2006) compared with around 70% of businesses in our sample that were three years old or younger. The firms in our sample were around the same age as those in the 2003 Household Survey of Entrepreneurship (NOP Social & Political, 2004). In addition, Mason *et al* (2006) found graduate owned businesses to be considerably younger than those started by non-graduates, whereas the Household Survey of Entrepreneurship (NOP Social & Political, 2003) showed only a 3% gap.

Starting the business

Educational background and work experience. Around a third of interviewees completed their studies at UCE Birmingham, with 4 at the University of Wolverhampton, and 2 each at Aston, Birmingham and Portsmouth Universities. The remaining third were from a variety of institutions including a university in the Czech Republic, Coventry, Manchester Metropolitan, Hull, Leicester, Southampton, Manchester and Warwick Universities. Interviewees had predominantly earned Second Class Honours undergraduate degrees, with one medical degree mentioned and a PhD. Not surprisingly, there was quite a variety of subjects studied and in many cases these were related to the sector of the business that the interviewees eventually started. Due to the diverse range of degree subjects of EMGEs in the sample, it is not possible to suggest that business related degrees are more or less likely to lead graduates to establish an enterprise. When asked why they selected a particular course at university, 35% of interviewees stated that they wanted to acquire specific knowledge/skill for a profession and 23% wished to acquire knowledge of the subject, with a further 31% emphasising both these reasons. This suggested that students' choice of subject was based on their chosen career but that did not necessarily imply that they were sure they would establish their own enterprise. One was interested only in the title that they would obtain when they graduated, but overall there was little variation by ethnic group.

There was evidence that work experience had positive implications for graduate self-employment. All but one of the interviewees had worked for someone before they started their business, enabling them to gain experience of working in a business. The one without experience acknowledged having problems in setting up the business and had to rely on external help and assistance, including from their family. This raises the question of whether starting an enterprise straight after university is a suitable or effective option. It also suggests that there is value in offering graduates the opportunity for a placement to taste the business world during their studies if they are to become self-employed straight after university. In this small sample, there is little indication of the 'necessity entrepreneurship' that is found in studies of ethnic minority entrepreneurs (usually non-graduates who were either made redundant typically from traditional industries, or who had experienced discrimination when seeking employment - effectively labour market disadvantage), although to check whether there were any such issues (given graduate unemployment) we asked why they started the business.

Taking firstly the question, how long after university interviewees started their businesses, an emergent trend is that 27% of respondents started their business 6 years after leaving university; 43% started the business in the short- to medium-term (within 3 years of leaving university), with the remaining 57% in the longer-term; only three respondents specified either 10 or 20 years. These figures sound instinctively right, as it is conceivable that something usually 'snaps' some years after leaving university, either pushing or pulling graduates into entrepreneurship. Mason et al (2006: 8) found that around two thirds of graduates actually started a business right after they finished university, which is considerably higher than in our indicative sample. This actually leads us to consider tentatively that EMGEs may actually have more work experience before starting a business (although this needs to be balanced against NCGE's aspiration to shorten the period between completion of degree and start-up). The research sample findings were aligned with the NCGE definition of a 'graduate entrepreneur' as someone who has started a business within 5 years of graduation. There is no real pattern by ethnicity, except that interviewed African Caribbeans did not start the business until at least 4 years after university. With only one Chinese entrepreneur, we cannot draw conclusions; and, indeed, it is difficult to be conclusive about the three African Caribbeans and two Bangladeshis in our sample. Indians and

Pakistanis are more varied by the length of time between leaving university and starting their business, except that both entrepreneurs who started their businesses 10 years after leaving university were Pakistani, but these mature entrepreneurs have acquired further education in the universities in the UK over the last 6 years. Given the sample size, we do not consider this statistically representative but it is somewhat indicative and warrants further research.

Motivations for starting a business. Having considered educational background and work experience, we next consider what the motivation is in starting a business (Table 1). This question asked what motivated the entrepreneur to actually start any business, irrespective of the sector or industry. FreshMinds (2005: 26-27), in reviewing the literature in the UK and internationally on student debt and graduate entrepreneurship, provides a good review on motivations, which are “greater independence”, “sense of achievement”, and “being your own boss.” This research study suggests that there are a variety of motivations for starting a business and this differs by ethnic group. The two most compelling motivations are “being your own boss” (i.e. independence) as specified by 35% of interviewees and financial (i.e. making more money), quoted by 31%, with some form of self-improvement indicated by 15%. For EMGEs, the financial motivation seems to emerge more strongly than FreshMinds suggested for all graduate entrepreneurs. The Household Survey of Entrepreneurship 2003 also has evidence on motivations towards entrepreneurship. For example, 93% of those who were thinking of starting a business (thinkers) reported freedom/independence as a major motivator, 89% sought a challenge, 86% wished to earn more money and 77% wished to be their own boss (NOP Social & Political, 2004). For those who actually were entrepreneurs (doers), these percentages were 90%, 74%, 71% and 75% respectively (NOP Social & Political, 2004). Independence remains the primary motivator for ‘thinkers’ and ‘doers’ with the financial incentive being important for ‘thinkers’ and less so for ‘doers’.

TAKE IN TABLE 1

Mascarenhas-Keyes (2006) examined the variation between businesses that were white-owned, ethnic minority owned and, indeed, between firms with an owner-manager from one ethnic group or another, drawing upon a number of surveys commissioned for the Small Business Service. In her paper she also sheds more light upon the aspirations and motivations that drive those who start a business and found that Black Africans and Caribbeans actually had the greatest aspirations, with Pakistanis and Bangladeshis having the lowest (Mascarenhas-Keyes, 2006: 10). In other words, whilst Asian entrepreneurs have already started businesses, it is those who are not traditionally entrepreneurial, African Caribbeans, who are the most aspirant towards starting a business. Mascarenhas-Keyes (2006: 11) also finds in the Household Survey of Entrepreneurship that: “EMBs tend to be more innovative and the opportunity to develop an idea or innovation is a more important motivator for both ethnic minority Thinkers and Doers compared to Whites.”

The financial or material motivations were described, for example, as: “I was working with other people who had better dress, cars and were doing things” (African Caribbean business consultant) and “Additional money to reduce the level of debt I was in” (Pakistani, education).

Those who wished to seek independence and be their own boss commented, for example: “I was demoralized working with others - had to be dependent on others and wanted to be self reliant” (Pakistani pharmaceutical manufacturer), and “Wanted to control my own destiny” (Indian financial consultant).

Self-improvement (which, by extension, given strong family ties, included familial improvement, e.g. of the family firm), on the other hand, was very much about:

“Be the best, seeking change in my character” (Chinese caterer)

“Expand the family business and diversify” (Pakistani, food)

“Ability to succeed in the law profession” (Pakistani, legal)

“Doing things better and engage myself in R&D” (Indian New Media)

Other motivations included needing a new challenge, filling a gap in the market (in the case of one entrepreneur where the gap in the market sparked the start up of the business), unemployment, and one other motivation that was: “I would like to offer tuition to children after school in all areas of Birmingham and if possible franchise my technique of teaching” (African Caribbean in education). It appeared, tentatively, that African Caribbeans were more motivated by the financial aspects of starting a business, while the Bangladeshis were solely motivated by independence/being their own boss and the one Chinese entrepreneur by self-improvement. The two largest ethnic groups in our sample showed considerable variation. For Indians, there was slightly more emphasis upon being their own boss, whilst Pakistanis were considerably more interested in making money and creating employment. The literature on ethnic minority business (and, indeed, other statistics on the labour market) suggested that Pakistanis were more disadvantaged than Indians: this may explain the clearcut differences, with earning more money motivating a higher proportion of Pakistanis and independence being a motivator for more of the Indians.

Deciding which industry or sector to start the business in. The respondents in this research study were also asked why they chose a particular business sector (Table 2). This question was different from the previous one, which asked why the entrepreneur started any type of business, as it was seeking to find out the reasons for choosing a particular industry or sector. It transpired that 54% of interviewees started a business in a sector in which they had prior experience, knowledge or skills, including all of the African Caribbeans, the one Chinese entrepreneur, plus about half of Indians and Pakistanis. So, for example, two African Caribbeans noted that: “I had experience of consultancy” and “I worked in the sector”. Meanwhile, other respondents said that:

“I had the required skills and a degree in subject area” (Pakistani)

“Interest and relevant qualification and experience” (Indian)

“The business started was in the area in which I had developed expertise both in terms of business knowledge, networks and potential market” (Pakistani)

TAKE IN TABLE 2

For another three entrepreneurs, the decision to choose their particular business sector was due to market research or identifying a particular gap in the market (when they had already decided to start any business, except for one entrepreneur who started the business having already identified the market gap). A further three interviewees started in their business sector because of advice from family, friends or other professionals; indeed, one Pakistani respondent reported that: “I had contacts with accountants and banks which helped me to set up.” Two other interviewees identified having their own idea, in other words with no particular reason why they chose that idea. Finally, one interviewee said it was simply because they had sufficient capital to start up in that particular sector, whereas if that had not been the case they would have had to either start up with less capital or consider a less ambitious business proposition.

Advice and training. In terms of advice and training, family is a strong feature of networks amongst many BME entrepreneurs. This fact is partially supported by the Annual Small Business Survey 2003 booster study, which found that 50% of BME businesses sought no external professional (formal) advice on start up, but they particularly relied on informal advice from families and friends and rarely from professionals such as accountants (Whitehead *et al*, 2006). Other research has suggested that there is a link between obtaining external advice and successful access to finance (Scott and Irwin, 2007). Notably, Hussain and Matlay (2007b) found that small BME firms did not provide training to their staff but did view training positively. If such BME entrepreneurs received little training themselves, it is perhaps likely that they would not train staff. The interviewees in our study were also asked if they had obtained help or advice from family and friends, and whether they had completed any formal training or course prior to starting the business (Table 3). As one might expect for ethnic minority businesses, 65% of them did obtain advice from family and friends, but only 38% had completed any training or course. However, none of the African Caribbean graduate entrepreneurs had received advice from family and friends – which is clearly because, as the literature indicates, there is relatively little tradition of entrepreneurship amongst African Caribbeans and thus co-ethnic advice is less likely to be available. This is clearly overcome by all African Caribbeans completing some form of training or course before they actually started their enterprise. Indians were overwhelmingly likely to obtain advice from family and

friends (in fact, only 1 out of 8 had not done so), reflecting very high levels of prior experience, in other words co-ethnic role models and advisers were more readily available. In the case of the Pakistanis, 8 out of 12 used family and networks for advice. Bangladeshis were evenly split between those who did obtain advice from family and friends and those who did not, while the one Chinese interviewee had done so. Conversely, none of the interviewed Bangladeshi entrepreneurs completed any training or course. Half of Indian graduate entrepreneurs had completed training or a course (despite overwhelmingly having been given advice from family and friends), whereas only 3 out of 12 Pakistanis had completed such training/courses (no doubt compensating for the lack of advice from some families and friends).

TAKE IN TABLE 3

CONCLUDING REMARKS

An analysis of the preliminary results has enhanced our understanding of characteristics and motivation amongst EMGEs in the West Midlands, UK. Firstly, the study suggests that higher education (and to some extent, training) has a positive impact while knowledge and exposure to the business world enables them to engage with economic activity and motivates them towards entrepreneurship. However, the small sample means that we must exercise caution in our interpretation. Furthermore, it is difficult to infer whether class and education override ethnicity but general observations can be made in that education has a positive impact and does enable EMGEs to enter high value, larger and non-conventional businesses.

Secondly, based on the experiences of BME graduate enterprises suggested by this study, it can be proposed that EMGEs have advantages within ethnic niches and international trade with the emerging economies of their parents' countries, in terms of knowledge, skills and language. This is particularly the case where entrepreneurs enter non-conventional sectors which have higher profit potentials, especially where the products or service offered is not associated with their ethnic origin as such.

Thirdly, findings from this small sample counter the traditional view that BME businesses are limited to conventional sectors and fail to innovate. There appears to be recognition amongst policy makers, though indicative, that as the ethnic minority graduate population rises, it is essential that the UK economy exploits BME graduates' complementary skills and knowledge to create successful new ventures. Such a policy is likely to increase employment in inner cities and encourage potential BME graduate entrepreneurs to consider international trade to utilise their competitive advantage. Fourthly, BME women graduates do consider entrepreneurship as an alternative to employment, while non-graduate BME women have a lower propensity to start businesses. On a cautionary note, the sample is not large enough to provide thorough insight or conclusive results. This indicative finding does lend some support to previous evidence of an emergent trend for ethnic minority women graduates to enter self-employment (Carter and Shaw, 2006; Dhaliwal, 1998, 2000). This area is under-researched and is likely to have implications as early observations from the HE sector suggest that proportionally more BME females are likely to enter higher education. This trend would imply that it is important for the support agencies, HE sector and policy makers to develop strategies to empower female graduates to become self-employed.

Fifthly, whilst there is evidence of a lag between completion of higher education and firm start-up, the data provides a glimpse that NCGE's goal to reduce the time between leaving university and starting a business may already be happening in the case of some BME graduate entrepreneurs. However, this tentative finding also raises the question whether BME graduates become self-employed to exploit their skills, knowledge and entrepreneurial spirit or is this trend a response to limited career progression and unemployment? The results of this study do not conclusively provide answers, and raise a question to be addressed by future research. However, independence from employment ('being your own boss') and an increased earning potential are the two major entrepreneurial motivations that emerge from this exploratory study. Not surprisingly, over half of interviewees started a business in which they had prior experience, knowledge or skills. This suggests that there is a role for mentoring and workplace internships to enable BME graduates to gain an exposure to employment and businesses practices.

Finally, the centrality of social capital is highlighted by two thirds of interviewees (particularly Indians and Pakistanis) obtaining advice from family and friends, who had prior experience of entrepreneurship, while African Caribbeans appeared to rely upon training and institutional support; due perhaps to a lack of role models and entrepreneurs in their social networks. Policy makers and educational institutions may wish to further explore the following factors:

- consider employment trends and employment rates amongst ethnic minority graduates, and the type of courses chosen by such students;
- examine the provision of enterprise education within specialised technical orientated degree programmes, something of potential value for all students, to create general awareness of business and management provision;
- investigate strategies to reduce graduate unemployment amongst the ethnic minority graduate population by further supporting programmes of work placements to improve employment opportunities and to induct them into the business world;
- identify potential EMGEs and provide, in collaboration with government and higher educational institutions, entrepreneurial education and support to develop their ideas.

As the research sample is relatively small, the authors would suggest caution in the interpretation of preliminary results relating to EMGEs but it highlights the fact that this potentially important economic niche, EMGEs, offers opportunities and challenges for policy makers and the HE sector, hence a proactive approach is required. Further research on a much larger and more representative sample would enable researchers to gain a deeper insight and contextualise the support and importance of EMGEs for the regions and the country as a whole. The areas that warrant further consideration and research by academics are:

- aspiration and motivation of EMGEs to consider enterprise as opposed to a career in the corporate sector;
- the level of the glass ceiling and job satisfaction; which emerge as an issue in the sample, albeit small;
- methods to estimate the impact of EMGEs in generating economic activity within the UK, reduction of inactivity amongst ethnic minorities and its contribution towards economic growth in comparison with non-graduate businesses;
- the mechanism to encourage more EMGEs to consider enterprise as a first choice and examine whether they have sufficient knowledge and infrastructure.

END NOTES

I It is important to emphasize at this point that, although Indians, Pakistanis and Bangladeshis are often grouped as “Asians”, there are many major differences between each of these ethnic groups in terms of sector, background etc.

II In this paper we use the term “African Caribbean” to refer to black Africans, black Caribbeans and other black people.

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Table 1: The motivation for starting a business

	African Caribbean		Bangladeshi		Chinese		Indian		Pakistani		TOTAL	
Challenge									1	4%	1	4%
Financial	2	8%					2	8%	4	15%	8	31%
Gap in market									1	4%	1	4%
Improvement					1	4%	1	4%	2	8%	4	16%
Own boss			2	8%			4	15%	3	12%	9	35%
Unemployed									1	4%	1	4%
Other	1	4%									1	4%
No response							1	4%			1	4%
TOTAL	3	12%	2	8%	1	4%	8	31%	12	46%	26	100%

NB: Some variance between figures and totals due to rounding.

Source: Face to face interviews

Table 2: Why chose the particular sector or industry

	African Caribbean		Bangladeshi		Chinese		Indian		Pakistani		TOTAL	
Advice			1	4%			1	4%	1	4%	3	12%
Capital			1	4%							1	4%
Experience	3	12%			1	4%	4	15%	6	23%	14	54%
Market							1	4%	2	8%	3	12%
Own idea									2	8%	2	8%
No response							2	8%	1	4%	3	12%
TOTAL	3	12%	2	8%	1	4%	8	31%	12	46%	26	100%

NB: Three respondents failed to answer this question (hence 12% 'no response').

Source: Face to face interviews

Table 3: Advice and training received

	ADVICE?				TRAINING?			
	Yes		No		Yes		No	
African			3	12%	3	12%		
Caribbean								
Bangladeshi	1	4%	1	4%			2	8%
Chinese	1	4%					1	4%
Indian	7	27%	1	4%	4	15%	4	15%
Pakistani	8	31%	4	15%	3	12%	9	35%
TOTAL	17	66%	9	35%	10	39%	16	62%

NB: Totals sum to more than 100% due to rounding.

Source: Face to face interviews