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Diversity in Entrepreneurship

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Diversity refers to groups of individuals of varied race, culture, gender, ethnicity, sexual orientation, social background, age, disability, political beliefs and other traits. In theory, diversity within the global population should be reflected in entrepreneurial activity, yet entrepreneurship is relatively homogenous. Research has shown that diversity affects entrepreneurship (Audretsch *et al.*, 2008). Understanding diversity further allows us to recognize the motivations and challenges affecting entrepreneurs. Moreover, as we grow a new generation of entrepreneurs, we must identify and break down barriers to support them in their journey towards success. Increased understanding of diversity is not only of value to entrepreneurs, but also to educators, researchers and policymakers. This chapter examines the importance of diversity in entrepreneurship focusing on:

- Women entrepreneurs;
- Ethnic minority entrepreneurs;
- 'Other' minority entrepreneurs including:
 - Student and graduate entrepreneurs;
 - Lesbian, gay, bisexual and transgender (LGBT) entrepreneurs;
 - Grey entrepreneurs;
 - Disabled entrepreneurs);
- Implications for government/government policies.

Women entrepreneurs

In 2012, 126 million women reportedly were starting or running their own business in 67 economies around the world (Kelley *et al.*, 2013). Women-led businesses comprise approximately one third of businesses globally and 29% of the self-employed population in the UK, contributing £75 billion in Gross Value Added annually (BIS, 2013). In the US, historically the leader in female entrepreneurship, one out of ten businesses are women-led, which is the highest in any developed economy (Kelley *et al.*, 2014). Although women are one of the fastest growing entrepreneurial populations internationally (Brush *et al.*, 2009; Carter and Shaw, 2006), men remain twice as likely as women to start a business (Marlow *et al.*, 2012). Hughes *et al.* (2012) gathered and analysed the research direction and approach to women's entrepreneurship since the 1980s. Having established that gender was an important discourse in entrepreneurship with significant individual and contextual components, they found research tends to focus on the identification and deconstruction of barriers facing nascent and active women entrepreneurs.

Case study: The Diana project

The Diana Project was founded in 1999 and was a milestone towards global understanding of women entrepreneurs. The project was set up as a research foundation to build awareness and expectations of women business owners and the growth of their firms. Their research focuses on investigating the factors that lead to growth for women entrepreneurs and their contribution to economies around the world.

Source: <http://www.dianaproject.org>.

Bruni *et al.* (2004, p.15) examine the five thematic research areas of female entrepreneurs:

- 1 The 'breeding grounds' of female entrepreneurship** – women-led businesses tend to be disproportionately service-oriented (Carter *et al.*, 2015), have low capital requirements for entry, are focused on traditionally female-oriented sectors, require less skill and provide low value add (Carter and Shaw 2006). Table 4.1, from the UK Office of National Statistics (ONS, 2014) displays the gender imbalance within industry with male-oriented work being skilled trades, while women exceed men in caring, and administrative occupations. Science, engineering and technology are most notably dominated by men (Marlow and McAdam, 2012).

Major occupation group	Men		Women	
	Thousands	Per cent	Thousands	Per cent
Managers, directors and senior officials	493	15.8	246	17.0
Professional occupations	498	15.9	251	17.3
Associate professional and technical occupations	415	13.3	258	17.8
Administrative and secretarial occupations	32	1.0	111	7.7
Skilled trades occupations	1,112	35.6	109	7.5
Caring, leisure and other service occupations	39	1.2	272	18.8
Sales and customer service occupations	59	1.9	46	3.1
Process, plant and machine operatives	313	10.0	29	2.0
Elementary occupations	159	5.1	127	8.7
Total	3,123	100.0	1,450	100.0

Table 4.1: Number of people self-employed by gender and major occupational group 2014
Source: ONS (2014).

- 2 **Patterns of female entrepreneurship** - typologies of the female entrepreneur are most commonly described within the context of life course and role within the family rather than from a rational business perspective (Davis and Shaver, 2012). Not only does this undermine women in business, women themselves fail to recognize the legitimacy of their work (Carter *et al.*, 2015; Marlow and McAdam, 2012) viewing it as a temporary solution (Marlow *et al.*, 2012) and undervaluing it as a whole (Shinnar *et al.*, 2012). This humility could be viewed as retaliation to the strongly masculine construct of the entrepreneur (Bruni *et al.*, 2004).
- 3 **The barriers against female entrepreneurship** – consists of three components:
 - *Socio-cultural barriers* – the social construct of women as mother and homemaker undermines the credibility of women in the workplace. Evidence continually shows greater impacts on business for women entrepreneurs with children than for men, who are largely unaffected by fatherhood status (Davis and Shaver, 2012). In cultures where women are strongly defined by their role in the home these barriers are even more pronounced (Carter *et al.*, 2015). However, Powell and Eddleston (2013) found that family offered substantial support for women entrepreneurs, enriching both their business and personal lives.
 - *Access to networks* – women have less access to formal networks which affects their access to knowledge. They have different kinds of networks to men and rely more on the informal networks of family and

friends (Watson, 2012), which reduces their perceptibility of industry opportunities and trends (Brush *et al.*, 2009). Carter and Shaw (2006) report that although women can be highly active networkers, they often spend time making weak ties that establish credibility, but are less useful to business performance.

- *Access to capital* – women-led businesses start with a third less financial capital, lower capital-to-debt ratios and are less likely to use equity or venture capital (Carter and Shaw, 2006). Failure to access financial resources is attributed to three distinct problems (Carter *et al.*, 2015): (1) structural dissimilarities in business profiles; (2) supply-side discrimination in accessing seed and growth capital (Wu and Chua, 2012); and (3) demand-side risk-aversion – women are less inclined to request loans, (Marlow and Carter 2006) and tend to request less capital than men (Carter and Shaw 2006).

Case study: Arianna Huffington

Arianna Huffington is the co-founder, President and Editor-in-Chief of The Huffington Post Media Group. The Greek born author of fourteen books, launched *The Huffington Post* as a news and blog site that quickly became one of the most widely-read online news sources. She came to prominence during the 1990s as a political figure, supporting her then politician husband Michael Huffington, expanding her network from politics, to media, entertainment and commerce.

In 2011, AOL acquired The Huffington Post for US\$315 million with Arianna remaining in control of the expanded media group. She has been named in *Time Magazine's* list of the world's 100 most influential people and the *Forbes* Most Powerful Women list.

Source: <http://www.huffingtonpost.co.uk>

- 4 **The motivations of women entrepreneurs** – can be divided into push and pull factors and are largely centred on mainstream reasons for entering self-employment. Motivations behind business start-up have implications for ownership and control, resource acquisition, team formation and growth intentions (Davis and Shaver, 2012).
 - *Pull* factors include supplementing income, ease of access criteria and a desire for flexibility. Women are significantly more likely than men to cite family reasons for becoming self-employed (Carter *et al.*, 2015).
 - *Push* factors include striving for independence and autonomy, professional self-fulfilment, supplementing income, socio-economic mobility or to fulfil a social mission. Women are more likely to come into self-employment out of necessity than men (Singer *et al.*, 2015).