Research summary

More than motivation

The Underserved Entrepreneurs Research Report, conducted by Corporate Citizenship, is a comprehensive desk research project aimed at understanding the barriers faced by entrepreneurs from socio-economically disadvantaged backgrounds. This document is a summary of those findings.

Sage

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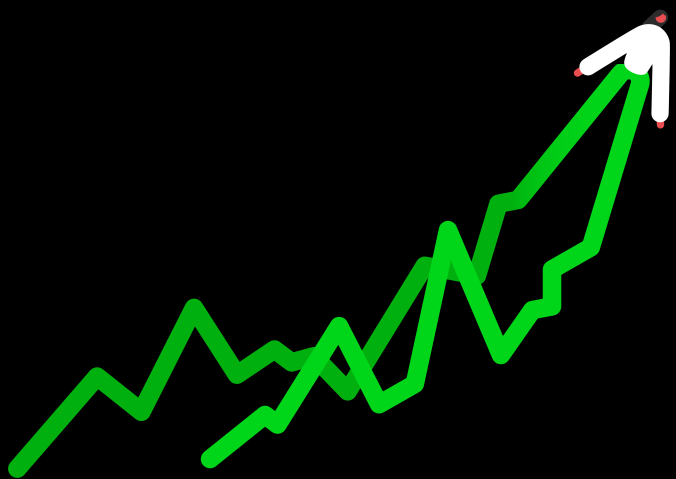
What's in this report



Hustle culture dominates discussions about entrepreneurship online. Influencers brag about their 4am starts, share tips for getting ahead, and post pseudo-inspirational quotes for their followers to quote, share and live by.

This phenomenon is often positive. Motivation is undoubtedly a key ingredient in a successful start-up – and many business people find this mentality helpful in their journey towards success.

But hustle culture also fails to tell the whole story. At its core, it promotes the idea that anyone can succeed if they have the right mentality. This ignores the reality of life for many entrepreneurs – as highlighted by the research we're summarising in this document.

About the report
The research is based on an analysis of approximately 40 reports, presentations, and papers. The primary purpose of the research is to assist the Sage Foundation in identifying and overcoming barriers that hinder underserved entrepreneurs from achieving success. The study specifically seeks to:

- Understand the gaps and areas of opportunity for supporting underserved entrepreneurs.
- Inform future partnerships and collaborations.
- Help organisations like Sage to better understand the needs of underserved entrepreneurs and address the challenges they face.

Underserved entrepreneurs are defined by the report as "businesses owned by people who are facing socio-economic disadvantages and inequalities in accessing credit, capital, and other resources needed to thrive."

The research identified seven groups of underserved entrepreneurs, namely; women, young people, people of colour, people with disabilities, members of the LGBTQIA+ community, migrants and refugees. When entrepreneurs belong to multiple disadvantaged groups, the impact of barriers is compounded, making it even more challenging for them to succeed.

We employed Corporate Citizenship, a specialist sustainability consultancy, to undertake secondary research on this subject. The key regions within the research scope are the UK, the US (with specific focus on Georgia and California) and South Africa (SA).

The research identifies three primary barriers faced by underserved entrepreneurs:

1. **Access to financial capital:** Many entrepreneurs struggle to secure funding to start or grow their ventures.

2. **Mentors and networks:** Limited access to supportive networks and mentors hinders their ability to gain guidance and connections in the business world.

3. **Skills and training:** A lack of necessary business skills and training can hinder their ability to run successful businesses.

The report focuses on three countries: the United Kingdom, South Africa, and the United States, with a deeper dive into California and Georgia.

United Kingdom

The UK is experiencing a cost-of-living crisis which is resulting in a risk-adverse lending environment. There are also issues around access to mentorship and networks due to a shortage of mentors. While there is significant funding activity, a lack of skills and access to mentors is preventing Black, Asian, and Minority Ethnic (BAME) entrepreneurs from starting businesses. Migrants also struggle with access to skills and training.

Barrier landscape

Funding
People of colour are hindered by systemic racism, as well as a lack of support and funding. 53% of black respondents experienced racism when trying to access financial capital.[1]

Women often face difficulties accessing financial capital, mentorship, and networks due to bias, discrimination, and family responsibilities.[2]

Young people lack the financial stability to dedicate their time to new ventures. Despite this, 53% of 18 to 30-year-olds in the UK want to set up their own business (Prince's Trust 2021).[3]

36% of LGBTQIA+ founders believe that investors do not take them seriously, and 9% have been denied investment based on their identity.[4]

Mentors and Networks
Social groups that are underrepresented in leadership roles are likely to have a less developed network of successful business people – further hindering their progress.[5]

Young people lack clarity around the support available for entrepreneurs. As a result, they often don't know how to access mentors and other useful networking opportunities.

Access to Skills and Training
The UK is suffering from labour shortages: only 60% of sole traders in England have undertaken training in the last year (FSB, 2022).

Entrepreneurial migrants often struggle with language barriers and a lack of regulatory understanding. 68% don't know where to get business support (Centre for Entrepreneurs (CFE), 2018).

California and Georgia, United States

In California and Georgia, underserved entrepreneurs face significant barriers to accessing appropriate networks and mentorship. Many networks are gender, race, and socio-economically segregated, lacking diversity. Women, young people, people of colour, and migrants face a disproportionate number of obstacles to business success.

Barrier landscape

Funding
People of colour in poor areas face the biggest challenges in accessing credit.[6]

In Atlanta, the average black-owned business is valued at $58,085, while the average white-owned business is valued at $658,264.[7]

People of colour suffer from systemic racism, which extends to a lack of support and funding. During the COVID-19 pandemic, African Americans had to close their businesses at twice the rate of their white counterparts.[8]

Women in Georgia suffer from a lack of access to start-up capital due to a lack of credit and income history.

White, female business owners in Georgia report an average of $198,000 in annual revenues, compared to just $22,000 for black women and $56,000 for Latina women.[9]

Young People in Georgia often suffer from a lack of financial stability and generational debt. This leads to a lack of access to financial capital, mentorship and guidance.[10]

Black entrepreneurs in Georgia start their businesses with an average of $35,000 of capital, while white entrepreneurs start with an average of $107,000.[11]

Mentors and Networks
Founders with high-performing mentors are 3X more likely to be successful.[12]

Social networks are highly segregated by race and gender, so members of underrepresented groups are likely to have less networking opportunities.[13]

In California, women face additional barriers due to gender norms around caring, religious expectations and confidence.

42% of new companies in California are founded by migrants, but they face barriers around language skills, legal status, a lack of resources and information.[14]

39% of young people in Georgia say they need a mentor to help them achieve their goals (Creative Research Solutions, 2022).

61% of disabled people in Georgia say they have to demonstrate superior knowledge to be taken seriously as a business owner (National Disability Institute, 2022).

Members of the LGBTQIA+ community suffer from a lack of access to funds and mentorship, underpinned by discriminations and social bias.[15]

Access to Skills and Training
Migrants in Georgia struggle with access to training, skills, and language interpretation services. Factors that underpin this barrier include a lack of credit scores and lack of collateral.[16]

South Africa

Underserved people in South Africa often become entrepreneurs by necessity, because they have no alternative source of income. They're considered part of the informal working sector, so access to financial capital is a challenge, with entrepreneurs depending on family, friends, banks, and informal lenders. The lack of qualified mentors and skills training also poses significant barriers. South Africa still grapples with the aftermath of apartheid, and remains plagued by discrimination and high unemployment rates.

Barrier landscape

Funding
Only 34% of informal entrepreneurs use formal financial accounts in their business's name. This violates company law and accounting standards, and affects business owners' ability to borrow.[17]

Young people represent 25% of SA's entrepreneurs, but have limited access to loans due to insufficient financial history.[18]

Migrants often struggle with access to credit and face xenophobic attitudes.[19]

Mentors and Networks
There is a lack of mentors and networks for entrepreneurs to learn and gain advice from.

4.3% of people of colour in South Africa are involved in entrepreneurship, compared to 13.2% of white people.[20]

Access to Skills and Training
Start-up skills and training are significant barriers to entrepreneurial success in South Africa due to a lack of access to education.[21]

Young people have limited access to finance, education, skills, and confidence, underpinned by the history of apartheid.[22]

Conclusion

Underserved entrepreneurs in all three regions are facing disproportionate challenges when attempting to grow their businesses. In particular, founders must overcome a lack of funding, a lack of mentors and networks, and limited access to skills and training.

Sage Foundation is using these insights to inform its approach to knocking down barriers for underserved entrepreneurs within its communities. We welcome opinions on these research findings and please feel free to contact us via Linkedin.

Appendix

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