

The COVID-19 pandemic and migrant entrepreneurship: Responses to the market shock

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Abstract

The economic recession caused by the COVID-19 pandemic reinforced existing inequalities in the business market. Typically facing numerous structural constraints, during the ongoing crisis migrant entrepreneurs appear to be at greatly heightened risk. Applying Davidsson's and Gordon's (2016) classification of crisis responses to the realm of migrant entrepreneurship, the current article intends to shed some light on what coping strategies are used by self-employed migrants when economic shocks arise. Four types of responses, namely, disengagement, delay, compensation, and adaptation, as well as their combination were identified in business practices of African entrepreneurs in Finland. The responses prove to be tightly linked to disrupted transnational business networks, limitations of technological solutions, and restricted access to funding and assistance.

Keywords: *Migrant entrepreneurship; coping strategies; COVID-19; African entrepreneurs; Finland*

Introduction

As a result of the COVID-19 pandemic, global and national economies have experienced a sharp downturn, which dramatic effect is often compared to the one caused by the Great Depression (Bartik et al., 2020). Lockdown measures, social distancing, and travel restrictions led to a considerable decrease in consumption, trade, production, and business operations (Fernandes, 2020). The World Trade Organization (WTO) predicts a dip in trade by 32% (Fernandes, 2020). Millions of people across the world lost their jobs; in the USA alone, 26 million people became unemployed by the mid-April, 2020 (Fernandes, 2020; Haeffele et al., 2020). Labour income losses are expected to account for between 860 and 3,440 billion dollars (ILO, 2020). Following these events, the stock market suffered its biggest fall; share prices of some companies plunged by 80% (Fernandes, 2020). Therefore, global growth is likely to slow down: the OECD forecasted 0.5% decrease compared to the previous year (Fernandes, 2020). The global GDP is dropping by 2.5-3% with every month of the pandemic (Fernandes, 2020).

Although the pandemic seems to affect all countries and sectors, its impacts proved to spread unequally across industries and economic actors exacerbating existing inequalities (Fernandes, 2020; ILO, 2020). Oil and gas producers, travel and leisure enterprises, banks, personal services, and media suffered biggest losses of more than 30% (Fernandes, 2020; Bartik et al., 2020). As states have diverse compositions of businesses, effects of the pandemic for different economies can vary as well (Fernandes, 2020). For instance, countries-exporters and service-oriented economies appear to be at greater risk (Fernandes, 2020).

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Narrowing down to the level of individuals, the International Labour Organization (ILO, 2020) underlines that certain groups of population became especially vulnerable during the pandemic. Among them, minority entrepreneurs such as self-employed elderly people, youngsters, women, freelancers, and migrants are frequently mentioned (ILO, 2020; CESI, 2020; Dua et al., 2020). Previous studies demonstrated that minority enterprises were hit harder by the crisis due to their small sizes and concentration in retail and services, industries most affected by imposed restrictions (Dua et al., 2020). Moreover, needs of minority-owned businesses were not sufficiently addressed in support initiatives (Singh, 2020). For example, Singh (2020) mentions that African American enterprises experienced numerous structural constraints, especially in access to credit, in pre-crisis times. During the last year, inequality in access to resources has been exacerbating; support programs also contributed to the process by overlooking increased vulnerability of African American businesses which put many of them at risk of closure (Singh, 2020).

The current article intends to focus on intersection of migration and entrepreneurship in the times of COVID-19 pandemic. How do migrant entrepreneurs respond to the economic crisis? What strategies do they apply? In relevant discussions of scholars and policymakers it remains generally overlooked how self-employed migrants manage their businesses during the pandemic and what responses they adopt. Indeed, in the context of Finland, research on responses of migrant entrepreneurs to market shocks is absent, let alone the special case of African entrepreneurs, the group with the lowest self-employment rate in comparison to other foreign-born populations (Fornaro, 2018). The low number of African entrepreneurs in Finland can be partly attributed to multifaceted negative racialization they face from wider public and institutions (Vorobeva and Dana, 2021). How does this vulnerable group of migrant entrepreneurs respond to the crisis at times of exacerbating inequalities? In the current research, using unique empirical material, we address the existing knowledge gap and present four stories of African entrepreneurs in Finland exemplifying different approaches to the ongoing economic recession.

Theoretical framework

As mentioned above, lockdowns and travel restrictions affected numerous businesses across the globe. Majority were not financially prepared for the market shock; enterprises in the USA proved to have only one month of cash on hand (Bartik et al., 2020). Moreover, previous studies highlighted that young and small enterprises tend to exit the market more often during an economic crisis (Davidsson and Gordon, 2016). According to Bartik et al. (2020), 43% of SMEs in America had to get closed at least temporarily during the COVID-19 pandemic. Other businesses were forced to lay off up to 40% of their employees (Bartik et al., 2020). Supply chains of many enterprises got disrupted: 75% of American companies already reported disruption in their supply networks (Fernandes, 2020). These changes may cause increased costs for business operations and growing prices for consumers in the end.

Even though the last year was challenging for almost all businesses, research conducted in many countries such as Canada (Mo et al., 2020), the USA (Dua et al., 2020; Singh, 2020), the UK (Dy and Jayawarna, 2020), Germany (David et al., 2021), and China (Prah and Sibiri, 2020) demonstrated that the economic downturn hit harder enterprises of migrants, women and other minorities due to several reasons. First, minority-owned companies tend to be of micro- and small-size which makes them vulnerable to market shocks (Mo et al., 2020). Second,



minority-owned enterprises concentrate in retail, catering, and services most affected by the pandemic (Dua et al., 2020). Indeed, during the last year, travel, hospitality, personal services, leisure, and catering industries suffered the most. Bartik et al. (2020) claims that, for example, restaurateurs gives 15% and travel firms 27% chance of survival if the pandemic lasts for around 6 months. Moreover, enterprises relying on these sectors experience spillover effects which hamper their entrepreneurial activities as well (Fernandes, 2020). Fernandes (2020) notices that economic damage these sectors experience will never be covered by returned consumers after the pandemic. Third, prior to the pandemic, minority enterprises faced unequal access to credit and other resources. This inequality has exacerbated with the crisis; Dua et al. (2020) mention that since the start of the economic downturn, companies of migrants, women, and other vulnerable groups report issues in access to credit more often than other businesspersons. Finally, technology proved to be essential for survival of businesses during the COVID-19 pandemic; however, minority entrepreneurs appear to have difficulties to digitalize their operations due to the lack of necessary knowledge or tools (Grandy et al., 2020).

The above-mentioned situation is worrying especially taking into account the capacity of enterprises to mediate an economic crisis. Indeed, Doern et al. (2019) and Haeffele et al. (2020) confirm that entrepreneurs have a potential to reduce negative impacts of economic recession. Effective recovery from a crisis will demand a set of new ideas and solutions which entrepreneurs are able to provide (Haeffele et al., 2020). Being sensitive to demands of their communities, entrepreneurs are good at readapting and meeting changing consumers' needs (Doern et al., 2019; Haeffele et al., 2020). In other words, they make a significant contribution into business continuity (Doern et al., 2019). Their activities minimize effects of an economic downturn and speed up recovery after a crisis (Doern et al., 2019). Thus, supporting business during a crisis is vital for long-term economy. Nevertheless, Kuckertz et al. (2020) notice that predominantly established corporations receive support from the governments while needs of migrant- and other minority-owned enterprises remain overlooked (Singh, 2020). Singh (2020) notices that increased vulnerability of African American entrepreneurs remains not recognized in American support initiatives. Although having introduced various forms of aid and closure compensations, Finland is not an exemption from the rule; needs of migrant enterprises were not addressed in Finnish business support programs.

Thus, unequal spread of effects of the pandemic together with uneven distribution of support exacerbate inequalities among different market actors. Self-employed migrants might experience even higher pressure due to both their outsider status and peculiar business practices. For instance, to maximize financial gains, migrant entrepreneurs often utilize their ethnic or transnational networks (Drori et al., 2010; Santamaria-Alvarez and Sliwa, 2016). Drori et al. (2010: 24) noticed that transnational entrepreneurs attempt to “benefit from ‘two worlds’ they belong to which forms “a crucial factor for survival, a way of ‘breaking out,’ and/or a method for providing competitive advantage”. However, during the pandemic, these connections got disrupted and, thus, their businesses are in a greater danger than locally-grounded enterprises. In addition, their clientele, often consisting of other migrants, cannot provide them with necessary support during the crisis as clients-migrants are, in their turn, also heavily affected by increased unemployment and decrease in household income (Young, 2007).

Overall, research on crisis and entrepreneurship is relatively new and being rapidly developing since the 1980s (Doern et al., 2019). So far, types of crises, their social, economic, and psychological effects, resilience as well as different coping strategies of entrepreneurs were explored by scholars (Doern et al., 2019). In respect to migrant entrepreneurs, their responses to a crisis have not yet attracted sufficient academic attention. Previous studies mostly focused on various constraints to migrant entrepreneurship and what role transnational networks and ethnic communities as sources of support, resources, and clientele played in it. For example, Chen and Tan (2009) note that migrant entrepreneurs refer to their cross-border connections to cope with instability and compensate for the lack of support from local institutions. From recent studies, although not exploring variety of minority entrepreneurs' responses to market shocks, the work of Manolova et al. (2020) presents special interest. Using the example of Skida, a minority-owned company that switched its production from winter gear to face masks, the scholars demonstrated a successful adaptation strategy to COVID-19 - reconsidering the purpose of available resources and applying them to a new use.

As research on crisis responses of migrant enterprises is extremely limited, among relevant studies, the work of Davidsson and Gordon (2016) describing various responses to a crisis among nascent entrepreneurs appears to be of particular interest. Nascent entrepreneurs are similar to migrant businesspersons in several ways which makes the typology of responses proposed by the scholars applicable to migrant entrepreneurship. First, both new ventures and migrant enterprises are predominantly micro- and small-sized. Second, they have limited access to external funding and recourses. Third, both start-ups and migrant businesses tend to have "a narrow (potential) customer base" (Davidsson and Gordon, 2016: 918). Finally, the groups are considered to be increasingly vulnerable to market shocks.

Davidsson and Gordon (2016) identified four main types of responses to a crisis - disengagement, delay, compensation, and adaptation. In brief, the first demonstrates that individuals are likely to disengage from entrepreneurial activities due to increased market uncertainty during a crisis. The second highlights a delay in the attempt of business creation or realization until a better day. The third response bears a more proactive character implying that entrepreneurs increase amount of resources invested in their businesses which often means harder work. Finally, the fourth is an adaptation to changes in the market through revision of or a complete change in an initial business model. The scholars notice that "this may prove a useful conceptualization for future theorizing" and suggest that "future work can focus on what type of founder and venture are likely to show which response" (Davidsson and Gordon, 2016: 932). In the current study, we would like to use the suggested conceptualization and apply it to the case of migrant entrepreneurs.

Empirical findings

In the current section, we would like to present results of an empirical study on migrant entrepreneurship during the COVID-19 pandemic. In May 2020, we briefly talked to 7 African entrepreneurs operating in various industries of Finland. The self-employed Africans participated in a broader study on African entrepreneurship in Finland two years earlier; thus, the authors of the current research used previously established contacts to recruit participants (Vorobeva and Dana, 2021). Among them, there were 6 males and 1 female within the age brackets of 30 to 40 years managing companies in retail, catering, and business consulting. Discussions were held in English, notes were taken after each talk. We asked how they



managed their businesses during the crisis, what difficulties they experienced, and how they responded to them. Analysis of the collected data was theory-driven with the focus on four responses to a crisis briefly described by Davidsson and Gordon (2016), namely, disengagement, delay, compensation, and adaptation. NVivo software was used for discourse analysis of the collected qualitative data. Moreover, in the collected data special attention has been paid to how the responses intersect with peculiarities of migrant entrepreneurship such as transnational networks, limited access to funding and governmental support. In the end, four informants' stories were selected to exemplify variety of crisis responses among migrant entrepreneurs. To respect privacy of the participants, their real names as well as names of their enterprises have been omitted. Pseudonyms have been used instead.

Disengagement

Anna, an owner of a retail shop located in a Finnish immigrant district of a big city, had close business connections to other African countries. She often ordered various products from abroad. Prior to the pandemic, her clients were predominantly Finnish, although during first stages of business establishment she had to rely on her African friends and relatives. She rented a space where her produce was exhibited. With the advent of the pandemic, her shop got temporarily closed. She didn't try to sell products online as she did not have any experience in online sales or delivery. She had to disengage from her entrepreneurial activities as she did not see any alternatives to reorganize her business practices. She simply states: "Well, about the corona situation, I think it has hit us, tiny businesses, the most. As you have seen in the media, small businesses like my type are not getting any help from government apart from applying for unemployment. It's not easy but we have nothing to do".

Delay

George is an owner of a business cooperation firm which aims at connecting mostly Nordic businesses and African enterprises. Prior to the pandemic, he has often travelled to Africa, invited partners to Finland and organized international events and meetings in both environments. For these purposes, he often hired various specialists, from IT to communications, as well as provided trainings to interns. Travel restrictions have significantly hampered these activities. Online meetings proved to be ineffective in closing deals, building necessary trust between business partners, and rising sufficient funding. Already poorly developed cooperation between Nordic and African enterprises due to existing regional stereotypes about African poverty got endangered again (Vorobeva and Dana, 2021). He notices: "The option of utilizing multiple income streams through a virtual event is nearly impossible for now". He has to postpone many of his events and business meetings until the restrictions are lifted. Nevertheless, after normalization of the situation in the market, George will have to put extra efforts to make his partners interested again in African economic potential.

Compensation

Alex, an owner of a café in one of big Finnish cities, had to shut its doors, similarly to many other catering enterprises. He had to cut on his labour force and lay off all his workers due to inability to pay them salaries. He claims that, at the moment, his business is really struggling to survive. Nevertheless, as he has been working in the industry for many years, first as an employee and later on as an employer, he does not want to give up easily. He states: "I am a

fighter, it has been a long journey to get where I'm right now in term of business, so I won't give up even though it's quite difficult, emotionally specially". To cover all necessary expenses, he had to take a few additional loans from banks. Nevertheless, being a professional and quite well-known chef in Finland, his main advantages are his skills, qualifications, and networks. Thus, he started working harder doing alone all necessary work including cooking, delivering, cleaning, and filing paper work. Alex explains: "As all the workers are in layoffs, I'm doing everything alone. Focusing on take away services. But the place is big and needs maintenance".

Adapting

Simon, an owner of an African restaurant, started working on a coping strategy when the crisis was about to hit. He applied for financial support for SMEs distributed by the government and successfully received it. His restaurant remains open during the lockdown working on both take-aways and deliveries. Delivery was not something new for his business: prior to the crisis, he proudly announced that his restaurant became one of the first African catering enterprises offering deliveries home. Moreover, although his supply chain with Africa got disrupted, he quickly found replacement for his previous suppliers. Instead of delivery from African countries which became very expensive due to changes in shipping processes, he established cooperation with some similar English enterprises. When asked about returning back to previous suppliers after the pandemic is over, Simon stated that it is very unlikely. In the end, he concludes: "We have already adapted to the new working environment and the service is still running".

Discussion and conclusions

The current study demonstrates that the conceptualization of crisis responses proposed by Davidsson and Gordon (2016) may be applied to the realm of migrant entrepreneurship. Moreover, it shows how those responses intersect with peculiarities of migrant entrepreneurship such as cross-border connections, access to funding and governmental support. Although exposed to multiple vulnerabilities, migrant entrepreneurs proved to develop various responses to the ongoing economic crisis caused by the COVID-19 pandemic. As our four stories demonstrate, migrant entrepreneurs chose to disengage from their business activities, delay realization of set-up business goals, compensate for losses with harder work or adapt to changing situation in the market. Nevertheless, the case of Alex suggests that the responses might also overlap and present a mixed strategy. For instance, Alex, on the one hand, compensates with his harder work for layoffs of his workers, and, on the other hand, adapts to the market situation with focusing on delivery services.

Among other insights provided by the data, negative effect of the pandemic on transnational networks can be mentioned. Migrant entrepreneurs seem to suffer from disrupted cross-border ties that constituted their competitive advantage in the market. Moreover, some might be forced to turn their transnational connections into more local ones existing within the European borders. On the one hand, as a result, developing countries such as African states may experience a decrease in demand of their services and products which might affect their already weak economies. In post-crisis times, their former customers, most probably, will not return back to them being afraid of another similar market shock. On the other hand, European businesses have a chance to benefit from the situation meeting growing demands for their products. However, in a long run, this change in supply chains may significantly



exacerbate the global economic inequality which, indeed, proved to abate during the ongoing economic crisis.

Interestingly, although technology was called vital for survival of enterprises during the pandemic (Grandy et al., 2020), it does not seem to be a viable solution for all types of businesses. Indeed, it can empower one kind of enterprises and depower another, as the data suggests. On the one hand, the case of Anna demonstrates, digitalization and online sales can help retail shops continue their operations. On the contrary, the case of George shows that technological solutions have their shortcomings; they seem to limit trust-building, number of closed deals as well as profits from business events as multiple income streams are not possible to utilize in virtual realm.

Finally, the current study would like to raise concerns about vulnerability of migrant enterprises to an exit from the market as well as debt during the COVID-19 pandemic. Due to the lack of appropriate guidance or skills, some businesses have troubles with readapting to changes in the market, which the case of Anna clearly demonstrates. As one of possible support mechanisms, they could be provided with tailored advice and necessary assistance from responsible authorities. Furthermore, some entrepreneurs may get even deeper into debt trying to stay afloat and cover damages caused by the pandemic. Taking into account expected protracted recovery from the current recession, debt may worsen the position of many migrant businesses for years to come.

Pointing at increased vulnerability of migrant businesses, findings of the current research could be used to design tailored support initiatives to assist migrant businesses in mitigating and adapting to challenges arisen with the COVID-19 pandemic. Further research should attempt to enrich our knowledge on the hugely overlooked topic of migrant entrepreneurship in times of crisis by investigating various types of responses in different contexts and sectors. In this respect, longitudinal studies can provide especially valuable insights into effectiveness of responses in survival and performance of migrant enterprises.

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