

# ENTREPRENEUR IN A FOREIGN COUNTRY

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Challenges difficult to overcome by oneself



# ENTREPRENEUR IN A FOREIGN COUNTRY

Challenges difficult to overcome by oneself

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# CONTENTS

1 VENTURING IN A DIFFERENT CONTEXT	2
2 LIABILITY OF FOREIGNNESS	3
3 METHODS USED TO ANALYZE APPROACHES TO LOF	4
4 WHAT LOF DO MIGRANT ENTREPRENEURS FACE?	6
5 APPROACHES FOR OFFSETTING LOF	8
5.1 Approaches for Offsetting Challenges with Understanding the Market	8
5.1.1 Targeting known markets	8
5.1.2 Targeting known product/service domains	8
5.1.3 Downplaying institutional differences	9
5.2 Approaches for Offsetting Challenges with Accessing Resources	13
5.2.1 Importing old structures	13
5.2.2 Circumventing structures through alternative income	13
5.2.3 Relying on resourcefulness	13
5.3 Approaches for Offsetting Challenges with Understanding Expectations	14
5.3.1 Leveraging local knowledge	14
5.3.2 Developing and relying on one's own expertise	14
5.3.3 Accepting expectation uncertainty	15
6 ADVANTAGES AND DISADVANTAGES WITH APPROACHES	16
6.1 Advantages	16
6.1.1 Effective use of individual resources	16
6.1.2 Preserving the entrepreneur's motivation for venturing	16
6.2 Disadvantages	16
6.2.1 Limited funding	17
6.2.2 Continued LOF	17
7 RECOMMENDATIONS	19
REFERENCES	21
ABOUT THE AUTHORS	23

# SUMMARY

Migration has been a principal component of human evolution for thousands of years and is a phenomenon that will continue in the future. This makes the subject of migrants' economic integration into host countries of timeless interest [1, 2]. More recently, understanding migrants' behaviors and approaches to integrating economically into the host country context has become a timely, pressing need, especially considering that, in recent years, many Western societies are facing unprecedented numbers of migrants seeking asylum. Due to this migrant surge, host countries have multiplied their efforts to promote economic integration—such as entrepreneurship—in an effort to support migrants in becoming self-sustaining in the host country. Therefore, the critical need exists to better understand how migrant entrepreneurs address their liabilities of foreignness (LOF) to provide needed knowledge. The aim with this report is to advance understanding of LOF among (1) migrants who aspire to and currently are engaged in venturing, (2) governmental and nongovernmental actors who support migrant entrepreneurs, and (3) policy makers who decide upon potential interventions to promote migrant entrepreneurship. Specifically, the goal is threefold. First, one goal is to help these groups of actors see more clearly some of the challenges (burden, hindrance, or disadvantage) related to the LOF that migrant entrepreneurs face. Second, another goal is to make these actors aware of common approaches migrant entrepreneurs use to overcome (i.e., offset or reduce) those liabilities to achieve entrepreneurial performance. Finally, the third goal is to help these actors better understand the pros and cons with used approaches. Indeed, policy makers and entrepreneurs alike can draw on this typology as a roadmap in better understanding the problem to be solved, which in turn can stimulate a broader range of solutions to offset liabilities.

## CHAPTER 1

## VENTURING IN A DIFFERENT CONTEXT

How useful are the approaches that migrant entrepreneurs use to deal with their liability of foreignness? Imagine a situation where a migrant—let’s call this person Zia<sup>1</sup>—who comes from a developing country with few regulations. He now wants to start a business in his host country, which is developed and highly regulated with regard to how businesses are operated. Zia wants the business to feature a restaurant, a butchery, and a bakery. Before coming to the host country, Zia had about 10 years of experience in owning and running businesses within the trade, construction, and agriculture industries. However, now that he wants to start a business in his new host country, he feels as if he is navigating uncharted waters. He is not worried about the fact that he has not previously worked in the restaurant business. Instead, what worries him is the new business context. Despite having taken some introductory classes on business venturing in the host country, this business context is a new world to Zia. He does not yet understand how things work in the host country. Everything from what customers want, how you contact and close contracts with suppliers, to what obligations you have in terms of paying value-added-taxes and salaries is different from how he operated his businesses in the past. Moreover, much of this required knowledge is either tacit or presented in the official host country language, which Zia only knows a couple of conversational phrases in. Obviously, Zia has a disadvantage when setting up a venture in a to him highly unknown business context. This phenomenon is referred to as the “liability of foreignness”.

Many stories illustrate how migrant entrepreneurs tend to hit a growth and profitability ceiling early in their venturing process and struggle with “low value, low return” businesses [3(p.14)]. A lack of social capital, a lack of savings, difficulties translating credentials to the new environment, and racism are some explanations as to why this pattern seems to emerge and repeat itself across the globe [4]. Given these constraints, many migrants elect to launch small retailing and catering businesses operating in cut-throat markets, in which they compete for small-margin profits against other migrant-run businesses [5-7]. These explanations, however, are either stating a condition (e.g., “migrants typically have less relevant social capital than natives for venturing in the host country”) or are referring to what host country actors do and do not do (e.g., “host country institutions have strict entry barriers to certain occupations” or “natives are suspicious toward migrant entrepreneurs”). What migrant entrepreneurs *themselves* do to overcome difficulties associated with venturing in a different context—and how useful these approaches are—is much less understood. Not understanding how this group of entrepreneurs approach their liability of foreignness is problematic. Greater knowledge about what approaches would be more (less) useful to overcome the barrier of being unfamiliar with a business context that differs greatly from what one ever experienced would be helpful for institutional actors promoting migrant entrepreneurship [8, 9], as well as for migrants attempting to start businesses in the host country.

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<sup>1</sup> This scenario is based on real data from one of the migrant entrepreneurs interviewed for this study. His name has been changed to protect his privacy.

## CHAPTER 2

## LIABILITY OF FOREIGNNESS

Research shows that migrants—“persons who have been outside their country of birth or citizenship for a period of 12 months or longer” [10(p.656)]—must overcome many obstacles to create and run viable businesses [e.g., 5, 11-13]. These obstacles strengthen when major differences exist between the home and host countries. While scholars have identified different obstacles migrants face more broadly, a more recent stream of work in entrepreneurship labels the general challenges migrant entrepreneurs face as the “liability of foreignness” (LOF). LOF in this context refers to “a lack of country-specific human and social capital, non-familiarity with the local system and institutions, and discrimination” [14(p.246)]. Migrants’ LOF causes difficulties in understanding how business is conducted; how to interpret regulations, laws, and the tax system; and how to find partners, customers, and workers [8].

Historically, LOF has been leveraged to explain the challenges that multinational organizations face when conducting business abroad [see 15 for a recent review]. The primary orientation of such research is focused at the *multinational organizational* level of analysis to explain how organizations identify and overcome challenges in strategically expanding to new, international markets [15, 16]. Zaheer [17(p.342)] introduced the idea of LOF, who conceptualized it as the “costs of doing business abroad that result in a competitive disadvantage for a multinational enterprise MNE [Multi National Enterprise] subunit.” In building on and extending this concept, other research has highlighted the costs of entering a foreign market as unfamiliarity, discrimination, and relational hazards—all of which inhibit “outsider” performance relative to indigenous host country rivals [18, 19].

While the concept of LOF is not new, its application to migrants is still emerging [20]. The differences between a multinational firm’s liabilities and those of a migrant entrepreneur are significant—MNEs have established resource stocks, business operations, as well as products and services that they seek to *expand* to new locations. In contrast, migrants arriving in a host country launch ventures in a new location without a pre-existing organizational architecture; they have limited resources, and few local contacts with whom to coordinate. Despite these differences, the LOF concept is useful for understanding migrants’ venturing by exploring what approaches migrants use to deal with the difficulties that come from venturing in a context that differs from what they have known—and what outcomes such approaches might generate.

The aim with the present report is to advance understanding of LOF among (1) migrants who aspire to and are currently engaged in venturing, (2) governmental and nongovernmental actors who support migrant entrepreneurs, and (3) policy makers who decide upon potential interventions to promote migrant entrepreneurship. Specifically, the present report’s goal is threefold. First, to help these groups see some of the challenges more clearly (burden, hindrance, or disadvantage) related to LOF that migrant entrepreneurs face. Second, to help actors comprehend the common approaches that migrant entrepreneurs use to overcome (i.e., offset or reduce) those liabilities to achieve entrepreneurial performance. And finally, to help these actors better understand the pros and cons used with the approaches explored.

## CHAPTER 3

# METHODS USED TO ANALYZE APPROACHES TO LOF

To meet the goal of advancing understanding of migrant entrepreneurs' LOF, an inductive grounded theory approach was used [21, 22]. The analysis draws on multisource data collected in Sweden. The primary source for identifying approaches migrants used to offset LOF and analyzing their usefulness were interviews with 25 migrants who had registered businesses in Sweden in combination with performance data from their businesses. For the business data, the Business Retriever database, which provides information on all Swedish businesses, was consulted. In addition to these data sources, insight was also gained about the general conditions in Sweden for aspiring and actual migrant entrepreneurs from exploratory interviews with 26 individuals in various government and administrative roles. Moreover, as the analysis of approaches to LOF unfolded, the authors also engaged in 10 supplemental, unstructured conversations with entrepreneurship support project leaders, business advisors, politicians, and researchers to enrich the analyses and conclusions around used approaches and their effectiveness. By matching patterns in the data, a typology was inductively developed that captures both the LOF that migrant entrepreneurs face *and* the corresponding approaches they employ to minimize or offset the LOF, as well as the resulting performance outcomes.

Although migrant entrepreneurs with limited experience from the host country business context are likely to face the three identified liabilities, the degree to which they are affected by each liability and how they perceive them will vary—resulting in heterogeneity in how migrant entrepreneurs approach each specific liability. The analysis identified three prominent LOF that disrupt migrant entrepreneurs' venturing and three different approaches for each liability (i.e., analyzing a total of nine approaches). Importantly, the present study does not make claims about the extent to which each approach contributes to the success or failure of business performance. Many other factors that influence the performance of businesses are required to make claims about the exact influence of each approach. The data do allow, however, the highlighting of how certain approaches used to offset LOF are found in businesses that perform better (worse) than other businesses started by migrant entrepreneurs. This type of analysis indicates the usefulness of each approach.

The studied migrant entrepreneurs' goal was to quickly reach sales such that the business would serve as their only source of income. Therefore, the lower the income generated from the business the less useful the approach was considered. At the time of the first follow-up (around two years after the initial interview), two of the 25 founders had left Sweden and 12 were categorized as "stopping at the prelaunch phase" (the business was de-registered or had no activity two years after the interview). For these founders, the approaches used were analyzed as not useful. Six were categorized as "slow business launch" (sales of ~\$1,240-\$30,900 two years after the interviews). For these founders, the approaches used were analyzed as useful for a slow launch. Five were categorized as "rapid business launch" (two with sales of more than ~\$102,650 and three with sales figures unavailable two years after the interviews but reporting as having 1-4 employees). For these founders, the approaches used were analyzed as useful for rapid launch.

The approaches presented in this report are those identified among the migrant entrepreneurs and are those upon which this study draws. It does not claim to represent approaches for all migrant entrepreneurs. It may not even represent all aspiring entrepreneurs who register a business in a context that is very different from what they have ever known. Those who stop at the pre-launch phase or have a slow venture launch belong to an understudied group of migrant entrepreneurs. Little knowledge exists about how large this population is. What this report presents, though, is the LOF and the offsetting approaches that this data revealed. These were the liabilities the *studied* migrant entrepreneurs faced, how *they* approached them, and how *their* businesses performed. The analyses do not define statistical generalizations. The insights from this report will increase awareness of migrants who hope to embark on an entrepreneurial journey in a context that is very different from what they are accustomed to. This is particularly relevant as institutional actors in Western countries promote entrepreneurship among migrants with a refugee background. As other researchers have stated, “while refugees face perhaps the greatest barriers to entrepreneurship of any immigrant group, they have the highest rates of entrepreneurship of any immigrant group” [23(p.33)]. Refugee migrants are probably more likely to face the specific liabilities that this report highlights than other types of migrant entrepreneurs (e.g., individuals moving from one Western country to another Western country)—and use one or several of the approaches discussed here.

## CHAPTER 4

# WHAT LOF DO MIGRANT ENTREPRENEURS FACE?

Three prominent liabilities that migrant entrepreneurs face when venturing in a business context that differs from contexts in which they have worked and operated previously (i.e., foreign to the context in which their venturing takes place) can be identified. First, entrepreneurs face great challenges *understanding the market* due to their foreignness. For example, informants in the present study shared the difficulties that emerge from differences between the home country and the host country in terms of business environment, buyer/customer demands, and government support for entrepreneurship. Second, entrepreneurs will face great challenges *accessing resources* due to their foreignness. Informants in this study shared the difficulty they faced accessing resources in the host country compared to the home country, where they had contacts, reputation, and credibility, as well as the difficulty with understanding feasible alternative sources of capital. Third, entrepreneurs will face great challenges with *understanding expectations* due to their foreignness. Table 1 presents an overview of these three liabilities.

**Table 1.** Types of LOF disruptive to venturing

<b>LOF disruptive to venturing</b>	<b>Description</b>	<b>Examples of LOF that could stifle business development</b>	<b>Illustrative quote from interview data</b>
Challenges with understanding the market	Difficulties associated with identifying and pursuing entrepreneurial opportunities in the host country.	<ul style="list-style-type: none"> <li>• What are market preferences?</li> <li>• What businesses typically fail/succeed in the host country?</li> <li>• How can I provide an offer that the market will find valuable?</li> <li>• How do I make contact and close deals with suppliers and customers?</li> <li>• How high are costs for staff, rent, etc.?</li> </ul>	“Information about the market and about the culture and how people are shopping—most of this was actually something [the name of a migrant entrepreneur] was in need of when he came to Sweden.”
Challenges with accessing resources	Difficulties with accessing resources and knowledge that support entrepreneurial goals and facilitate legitimacy in the host country.	<ul style="list-style-type: none"> <li>• How can I get a bank loan when I have no current income, no collateral, and no history in the host country?</li> <li>• How can I get investors interested when I have very little money myself to put into the business?</li> <li>• How can I get to know people who have resources when I don’t know anyone but others in the same situation as myself?</li> </ul>	“In my home country I have very good relationships and social network of friends and family. Here I don’t and that is one of the difficulties. ... I wish to have many different cultures build up my new social network, but language is the main reason [why that has not succeeded].”
Challenges with understanding expectations	Difficulties associated with comprehending expectations for the entrepreneurial role in the host country.	<ul style="list-style-type: none"> <li>• How can I understand all the rules and regulations that govern business operations in the host country, as they are different from all I ever knew?</li> <li>• How can I understand what I am supposed to do when operating a business when the information is in a very technical and bureaucratic jargon in the host country language (which I have limited skills in)?</li> </ul>	“In my home country there is no tax, no control—there is nothing. Here in Sweden, there is tax, there is control. For example, for my business the space needs to fulfill some criteria. That was a real challenge to me.”

## CHAPTER 5

# APPROACHES FOR OFFSETTING LOF

The present study gives insight into three different approaches to offset each of the three specific liabilities found prominent when migrant entrepreneurs are foreign to the business context in which they are venturing (i.e., challenges with understanding the market; accessing resources; and understanding expectations). Figure 1 illustrates which approach corresponds to which LOF. In the figure, the three colors indicate the usefulness of each approach by grouping the approaches to the corresponding business outcomes of each approach (i.e., stopping at the prelaunch phase, slow business launch, and rapid business launch). Next, this report presents the approaches used for offsetting each liability and surveys Table 2.

## 5.1 Approaches for Offsetting Challenges with Understanding the Market

### 5.1.1 Targeting known markets

Some migrant entrepreneurs approach the challenge of understanding the market by pursuing entrepreneurial opportunities that primarily target migrant enclaves as their market. This approach reduces pressures to identify and adhere to host country norms and practices *and* facilitates more rapid start-up processes. Specifically, to sidestep the perceived constraints of their knowledge of the new field, some migrant entrepreneurs *revert* to their knowledge of migrant customers (embedded in the new institutional field), where they can apply prior knowledge. For example, in this study's data, informants used this approach by opening a clothing store offering styles from the home country; by starting a news platform in the migrant's native language; and by launching a restaurant and bakery featuring food and sweets from the home country (which primarily targeted migrants). This analysis revealed two features related to why migrant entrepreneurs identify and pursue opportunities targeting unmet migrant needs in an immigrant enclave market. First, they may select these markets based on where they lived—they feel they understand this population's needs, perceive it as growing, and believe it is able to sustain their entrepreneurial venture. Second, migrant entrepreneurs may assess that they have greater knowledge and understanding of opportunities arising from a growing migrant population, which reduces their risk of failing to align with non-migrant customer demands, while also avoiding competition.

### 5.1.2 Targeting known product/service domains

Some migrant entrepreneurs approach challenges with understanding the market by focusing on a familiar niche product/service. This approach differs from targeting the migrant market (the approach described earlier) in that this approach includes pursuing ventures in an industry/product scope with which the entrepreneur is familiar—not necessarily focusing on migrants as a customer base. For example, in the present study's data, informants engaged in environmental consultation, virtual reality application, and film

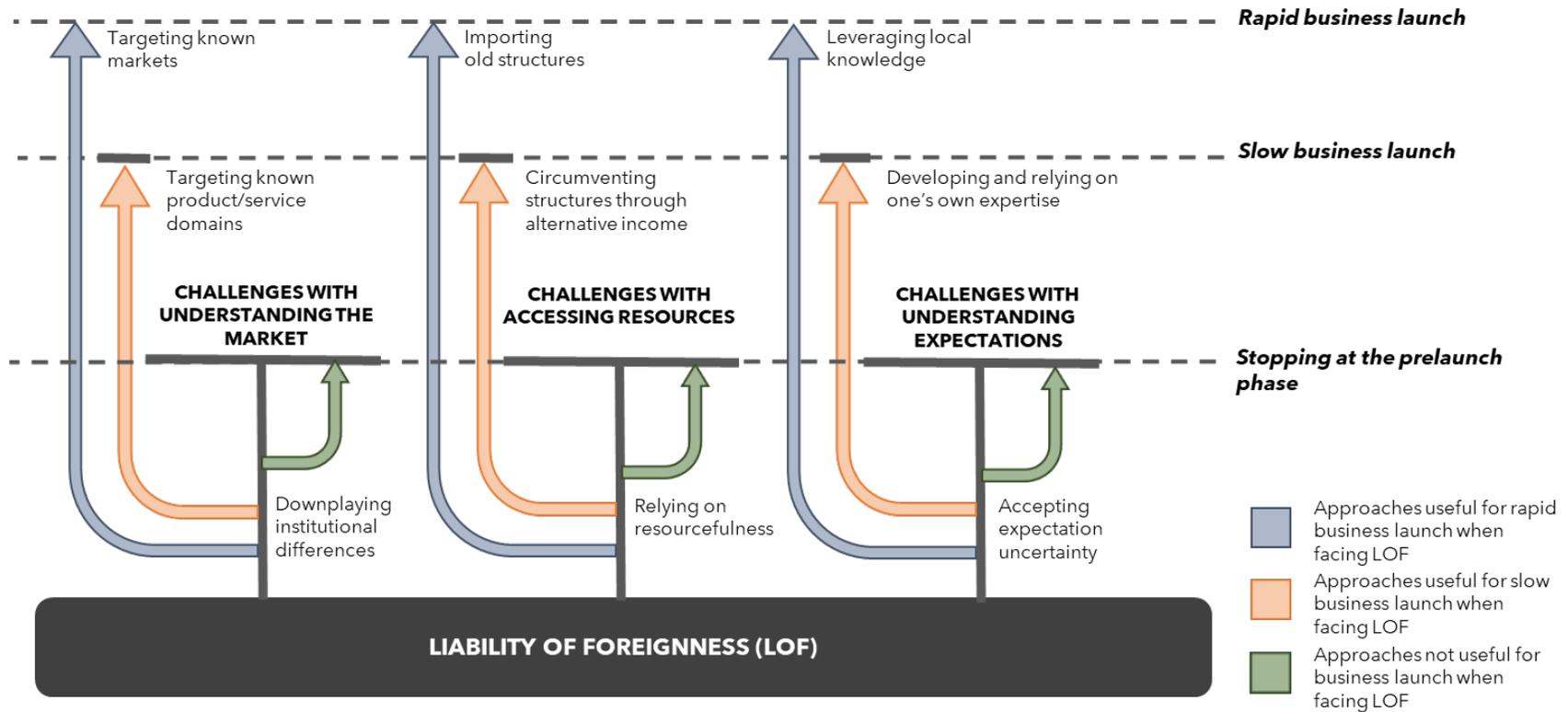
and video production but did so in ways that were consistent with the product/service development and delivery they had employed previously in their home country.

Expert, premigration knowledge can help migrants identify opportunities to pursue. Indeed, it could be posited that porting ideas from one context to another could be fruitful for finding new markets for existing products/services [24]. However, there is a risk that niche product/service offerings can cause problems surrounding *how* to pursue an identified opportunity when one is foreign to the business field. For example, one of the informants illustrated the difficulties associated with forming buyer relationships. By having a relevant university degree, the informant believed she would have an edge in developing then selling educational materials to schools. It appeared, however, that the informant did not fully understand government regulations and how these might inhibit sales.

### **5.1.3 Downplaying institutional differences**

Some migrant entrepreneurs approached challenges with understanding the market by downplaying differences and optimistically hoping that prior experiences would holistically translate to the new context. Interestingly, this approach occurs despite acknowledging the seemingly insurmountable obstacles one faces and limited progress achieved. As a result, migrant entrepreneurs may pursue opportunities despite their lack of integration in the host society or their limited understanding of the host country's market. For example, one of the informants and her husband sought to recreate a business in the host country that they ran in their home country. Their goal was to develop measuring instruments for laboratories. The plan was to collaborate with "design group[s]" and "different research group[s]" in the host country. However, as time passed, the informant realized her hope of introducing the product by collaborating with host country partners was overly optimistic, as she had no real connections and inroads to local design and research groups and was not sure where and how to sell the product.

**Figure 1.** Approaches used among migrant entrepreneurs to offset their liability of foreignness



**Table 2.** Approaches used to offset LOF

<b>Approach</b>	<b>Description and practical example</b>	<b>Pros with approach</b>	<b>Cons with approach</b>
<b><i>Attempting to offset challenges with understanding the market</i></b>			
Targeting known markets	Migrants pursue opportunities where knowledge from old field is applied, primarily targeting a migrant market. Example: Starting an ethnic food shop in the host country, serving other migrants. ("I get this!")	Speeds up one's market analysis.	Limits one's available options around business ideas.
Targeting known product/service domains	Migrants pursue opportunities that target a niche market or product with which they are familiar. Example: Starting a business in the host country involving photography and videography when one has experience from film making in the home country. ("I can do this!")	Speeds up one's plans for how to do things in the business.	Risk that one's prior competence does not fit the market needs and how business is conducted in the host country context.
Downplaying institutional differences	Migrants pursue opportunities in which aspirations exceed their embeddedness in the new field or understanding market preferences or conditions. Example: Suggesting that difficulties understanding the market can be easily overcome or emphasizing that there are other individuals or unique circumstances that currently stifle one's venturing. ("I am not sure why others don't see the value in my idea?")	Maintains one's hope of successful venturing.	Issues that can be a significant hindrance to one's venturing may be ignored and hence unresolved.
<b><i>Attempting to offset challenges with accessing resources</i></b>			
Importing old structures	Meeting resource needs for the venture using his/her own family resources or help from family and friends. Example: Turning to one's cousin for resources. ("All in my network are from my home country.")	Speeds up one's resource acquisition.	Limits the possible resource pool.
Circumventing structures through alternative income	Meeting resources needs by arranging additional sources of income. Example: Engaging in wage work to fund oneself (one's family) and the venturing. ("I need an income now!")	Enables one's continued engagement in venturing.	Limits resources and takes time from venturing efforts.

## 5 – APPROACHES FOR OFFSETTING LOF

Relying on resourcefulness	Relying on their own resourcefulness in meeting resource needs. Example: Recognizing that there are few options to obtain funding for the business, but still hoping that one can start with limited (almost no) resources. ("You can't get investments.")	Maintains one's hope of successful venturing.	High risk that no progress happens when venturing with no or very limited resources.
<b><i>Attempting to offset challenges with understanding expectations</i></b>			
Leveraging local knowledge	Relying extensively on advice and help from locals to meet expectations on the entrepreneurial role in the host country context. Example: Frequently using government-funded business advisors to navigate upcoming requests and issues. ("I ask to make sure I do everything right.")	Speeds up one's management of expectations and ensures that issues are dealt with in the correct way.	High risk that locals help issue-by-issue, but that one fails to build own relevant knowledge and networks.
Developing and relying on one's own expertise	Relying extensively on their own (the team's) capabilities to meet expectations on the entrepreneurial role in the host country context. Example: Investing time in trying to understand expectations and how to meet them. ("I try my best.")	Cheap and potentially advancing one's competence for current and future issues.	Risk that it slows down processes, and possibly leads to significant errors and mistakes.
Accepting expectation uncertainty	Undervaluing the consequences of their knowledge gaps about the entrepreneurial role in the host country context or failure to fulfill those expectations. Example: Receiving information and requests that one does not understand but without acting upon it and instead hoping everything will solve itself. ("How things work here is not clear to me.")	Maintains one's hope of successful venturing.	Risk that issues do not solve themselves, but instead generate even bigger problems.

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## 5.2 Approaches for Offsetting Challenges with Accessing Resources

### 5.2.1 Importing old structures

Some migrant entrepreneurs approach challenges with accessing resources by importing old structures for accessing and deploying resources rather than pursuing and linking to important actors and resource structures in the host country. This approach is typically designed for speed—migrants seek connections from known sources to speed up the process, because it takes time to cultivate new networks and begin to realize returns on social investments. Importing old structures includes drawing on financial support from former networks (many of which are lacking if migrants are refugees), including friends, former associates, political actors, and so forth. In the host country context, informants draw on old structures by pursuing informal resources from locals (e.g., advice, consulting) for venturing. This includes government officials (as aforementioned), but also migrant community members in similar contexts. For example, one of the informants borrowed resources from close contacts (family, friends in their home country) despite their limited ability to provide resources, and another exchanged land in the home country for an expensive machine he needed for his business.

### 5.2.2 Circumventing structures through alternative income

Some migrant entrepreneurs approach challenges with accessing resources by circumventing the problem at hand (i.e., identifying and deploying host country resource challenges) and instead arranging for alternative sources of income to cover business and personal expenses. This is similar to the patchworking concept in [25], where entrepreneurs “pull together diverse resources in order to boost income and protect against fluctuations in the market”). In contrast to the migrant entrepreneurs who import old structures, migrant entrepreneurs using this approach try to find alternative sources of income in the host country that are not viewed as traditional sources of entrepreneurial financing. For example, the informants who used this approach described having parallel wage work, living on their partner’s salary, and taking on a new job.

### 5.2.3 Relying on resourcefulness

Some migrant entrepreneurs approach challenges with accessing resources by relying on resourcefulness. Resourcefulness includes finding creative ways to bring resources to bear that might facilitate personal success or (eventually) business emergence and growth. Many migrant entrepreneurs have experienced major financial setbacks as a result of their forced migration. And, while they are not “looking for free money,” they express that they have underestimated the difficulty of learning about and then exploiting the resource structures in the host country. Hence, some migrant entrepreneurs tend to rely on their own ability to bootstrap their venture creation process, while explicitly avoiding the traditional routes of bank loans or external investments. For example, as one of the informants expressed it, they tried to “create cash flow . . . and make it move, move forward.” While the informants using this approach were often disappointed with their limited resource options— “I wasn’t successful [getting] any funds from anywhere”—they also expressed an understanding of the difficulties. For example, as one informant concluded, “you have to prove that you are good enough to do something, [and] I understand that takes time.”

## 5.3 Approaches for Offsetting Challenges with Understanding Expectations

### 5.3.1 Leveraging local knowledge

Some migrant entrepreneurs approach challenges to understand expectations by leveraging local knowledge. This is achieved by developing relational ties with local government advisory officials in hopes of minimizing knowledge of, assumptions, and expectation hazards of LOF. When migrant entrepreneurs do this, they rely extensively on newly formed relational ties—relying on host country officials for nearly all their business decisions. In this way, the burden of learning and applying new interpretive schemata is offloaded to the local advisors, who provide extensive and frequent advice on the boundaries and interfaces between private and public spheres, best practices for business-to-business transactions and exchange, and so forth. The mechanism leveraging local knowledge is primarily one-on-one consultations between migrant entrepreneurs and officials. These local officials are eager to offer dedicated entrepreneurial support to promising migrant ventures, and they respond rapidly to any and all requests for consultation and meetings. For example, one of the informants explained: “I did not take even a step without asking and being sure that it’s right, because I don’t want to have trouble or make something out of the law.” Despite initial fears of running afoul of national legislation, this informant found that the rules were “logic[al] and acceptable” and not complicated. Another informant explained that he “was worried to open and start something,” but when he met with the coaches, they were able to provide him with the contacts he needed; information about the laws, market and culture; and a network for discovering what he might require. He said that he felt braver about founding his business because of the advice he received.

### 5.3.2 Developing and relying on one’s own expertise

Some migrant entrepreneurs approached challenges to understand expectations by developing and relying on their own expertise. In contrast to those seeking to rapidly launch, they worked to gain their own, independent interpretation and understanding of the assumptions and expectations surrounding entrepreneurship in the host context. To be clear, migrant entrepreneurs who took this approach may still have *received* business advice. However, they did not seek it out beyond initial meetings, and they did not reference it when making important venture decisions. Instead, they turn to their own expertise—which was not formed in the host country context—in navigating the uncertain context. Relying on one’s own expertise can be like walking a tightrope between imagination and reality. In other words, as the migrant entrepreneur may carefully advance entrepreneurial ideas, this approach means that they imagine possible interpretations of the host context that are loosely grounded in real-life experience, and which are constantly filtered through their prior assumptions, values, and frames of reference. As a result, the “certainty” they gain about the new context often differs dramatically from reality, which eventually serves as the basis for disappointment and disillusionment when their imaginations prove inaccurate. For example, one of the informants explained that she was confused in her venturing as to why things were not progressing according to her projections, which she deemed “sound” and consistent with good businesses practices. An independent analysis, however, revealed that she based her criteria for her anticipated progress and trajectory on her personal, home-country based assumptions and interpretation of the entrepreneurial process rather than on the host country reality.

### 5.3.3 Accepting expectation uncertainty

Some migrant entrepreneurs approach challenges to understand expectations by simply accepting that they operate under uncertainty regarding assumptions and expectations of entrepreneurship. They do so by acknowledging, and then downplaying, their knowledge gaps and its potential consequences for entrepreneurial venturing. This cognitive avoidance approach is not uncommon when individuals face significant stressors—especially when uncertainty is involved [26]. However, while cognitive avoidance or escape may alleviate some worry (via numbing, etc.), it can impair performance even worse than certainty of a negative outcome [27]. This was found to be the case in this study's data—because informants did not fully understand the expectations and assumptions of the entrepreneurial role in the host country, they significantly minimized (i.e., blocked out) the potential impact of this lack of knowledge on their ability to fulfill the entrepreneurial role and moved forward despite their uncertainty. As one informant explained, "If I have any problems [in my home country], I go to that place [where required information is held], and I understand what I have to do before I make [a] mistake. But here [in Sweden], sometimes no [I cannot reach such an understanding]."

## CHAPTER 6

# ADVANTAGES AND DISADVANTAGES WITH APPROACHES

The presented approaches have both advantages and disadvantages. Table 2 presents the specifics for each approach. The following section explores their commonalities.

## 6.1 Advantages

When it comes to positive aspects, used approaches have in common that they: (1) build upon effective use of the entrepreneur's resources, and (2) preserve the entrepreneur's motivation for venturing.

### 6.1.1 Effective use of individual resources

Approaches to offset one's LOF reflect effective use of individual resources. The migrant entrepreneurs upon which this study draws all had limited financial resources and few personal connections in the host country context. Moreover, their skills in the host country language were basic at best—and non-existent at worst. To this background, many of the approaches they used reflect how they made the most with the resources they either possessed or would be likely to access in their current situation. For example, they targeted known markets, offered products/services with which they were familiar, used connections they *did* have (even if they are all related to the home country), found wage-work if possible, and used (relied upon) business support offered and funded by the government. In short: they used what was available.

### 6.1.2 Preserving the entrepreneur's motivation for venturing

Approaches to offset one's LOF strengthen motivations for identifying and launching business opportunities. This increased motivation for early-stage venturing activities is largely due to an increased sense of connectedness, competence, and autonomy—as consistent with self-determination theory [28]. Targeting known markets increases a sense of connectivity to fellow migrants and builds autonomy. A focus on known product offerings increases a sense of competency and autonomy as a business owner. Leveraging local knowledge while importing prior resources structures develops connectedness, competence, and autonomy. Taken together, the approaches fuel persistence with early-stage entrepreneurial activities, such as generating ideas, participating in entrepreneurship programs, seeking external advice, and exploring the viability of one's ideas. Indeed, these approaches are effective in motivating engagement with early stage entrepreneurial activities, in that they help migrants overcome setbacks, failures, and other significant barriers to new venture launches [29].

## 6.2 Disadvantages

When it comes to negative aspects, the approaches have in common that there is a risk that they result in venture stagnation due to (1) limited funding and (2) continued LOF.

### 6.2.1 Limited funding

Prior research has suggested that access to financial capital is particularly difficult among migrant entrepreneurs [30]. This has been argued to be one of the reasons for low profits and firm closures among migrant entrepreneurs [31, 32]. The three approaches to offset challenges with accessing resources—importing old structures, alternative income, and relying on resourcefulness—reflect how migrants try to overcome the challenges with accessing resources but also how difficult this LOF is to offset. Even if two of the three approaches result in access to *some* financial capital, this is still very limited. Accessed capital is far from sufficient to fully pursue business opportunities and translating one's ideas into operations. The risk with all three approaches, therefore, is that they generate such small amounts of financial capital that the result may be venturing stagnation. Such stagnation could be reflected in venturing efforts stopping at the prelaunch phase or that the business launch becomes slow. However, it could also be reflected in that the business launch itself is rapid, but that the business thereafter struggles for survival.

### 6.2.2 Continued LOF

Approaches to offset one's LOF do not result in the removal of LOF. Instead, the approaches counteract and compensate for the LOF. For example, when one has challenges with understanding the market, this can be compensated for by targeting migrants or known product/service domains. However, doing so does not increase the migrant entrepreneur's understanding of the host country's market. Similarly, when migrant entrepreneurs turn to friends and family for funding, or rely on their own resourcefulness, this does not increase their understanding of other channels for accessing resources in the host country. Finally, when migrant entrepreneurs rely upon business advisors to understand regulations and expectations that the host country places on them as entrepreneurs, this does not increase their understanding of role expectations. It may increase their understanding of what type of expectations there are, but not the understanding of how to meet them. Hence, all approaches have the disadvantage that the LOF remains. In the short term, and especially in the pre-launch phase, the approaches seem to have the capacity to at least to some extent compensate for the LOF. However, as the venturing progresses, the risk exists that the used approaches are insufficient to compensate for the LOF. As related to the previously discussed disadvantage, limited funding, there is a risk that the challenge related to understanding *how* to access resources continues to be significant barrier—which can cause significant challenges with pursuing business opportunities. Similarly, if migrant entrepreneurs become dependent on temporary set-ups for addressing role expectations (e.g., relying on temporary free advice from business advisors funded in a project supporting migrant entrepreneurs), instead of learning how to address those role expectations independently, such lack of understanding can limit business development beyond the launch phase.

Key to recognizing and then satisfying norms is an entrepreneur's cultural competence *within the domain in which they* operate. Building cultural competence involves gaining awareness of the cultural environment to such an extent that it is possible to understand how to gain legitimacy and how the environment shapes business outcomes [33]. The approaches used among the studied informants to address LOF *limited* rather than *enabled* cultural competence, which inhibited firm legitimation. In turn, this limited venture progress and viability. For example, migrants' focusing on a known markets or product service domains to address the foreign business field provided instant access to like-minded customers but inhibited migrant entrepreneurs from deeply engaging in activities in which they could understand, adapt to, and thrive within the host country context—including its

resources and constraints. For the challenges with understanding role expectations, relying on one's own capabilities from the home country context increased the risk that the venture was misaligned with host country institutions. Similarly, exclusively relying on one or a few advisors in the host country inhibited the development of a comprehensive understanding of the environment in which the venture was situated. Therefore, migrants' approaches to offsetting LOF appeared to facilitate motivations for venture launch and entrepreneuring but inhibited venture growth and entrepreneurship as a viable employment solution.

## CHAPTER 7

## RECOMMENDATIONS

While governments and other institutional actors promote entrepreneurship as a viable option for migrants, especially in situations when they experience prolonged pushback from entering the local job market, there is limited scholarly understanding of how such individuals navigate their LOF when engaging in entrepreneurial endeavors. Research on migrant entrepreneurship has focused thus far on the kinds of barriers that exist (e.g., lack of social and financial capital) and the subsequent negative outcomes that these barriers generate (e.g., “low value, low return” businesses [34(p.14)]). In the present report, specific barriers (i.e., those related to LOF) and business outcomes (i.e., stopping at the pre-launch phase, slow launch, and rapid launch) have been interwoven with migrant entrepreneurs’ approaches to offset the identified LOF. The mapping of how migrant entrepreneurs try to overcome their LOF indicates that business survival and growth is likely to suffer with used approaches.

With support in these observations, it is recommended that institutional actors (policy makers and public/private actors) aiming to support migrants’ economic integration should seek to enhance and support migrant entrepreneurs’ efforts to offset LOF when engaging in business venturing. The typology offered in this report (the three types of LOF, the nine used approaches, and the pros/cons of these approaches) could be used as a framework for elaborating on relevant types of support for specific target groups. If migrant entrepreneurs are not supported to offset their LOF, there is a great risk that their only options are approaches through which they (1) will have limited funding, and (2) will continue to suffer from their LOF—with significant negative business outcomes, making it difficult or even impossible for their ventures to grow and be profitable. It is, however, outside the scope of the study that the present report draws upon to recommend the types of support that should be offered. That said, when institutional actors plan to promote or support migrant entrepreneurship, they are advised to carefully consider the following:

- **Target group that suffers from LOF?** What is the situation of targeted migrants: what LOF do they suffer from, if any? That is, in the host country context, do they have challenges with understanding the market, accessing resources, or understanding expectations?
- **Would LOF support be provided?** What type of support can be provided and to what extent: is it possible to offer the type of support that would help the migrants break free from their LOF in a venturing situation?
- **If LOF support can be provided, how should it be organized?** If support to overcome migrant entrepreneurs’ LOF can be provided, what is that support and how should it best be organized? How can communication to aspiring migrant entrepreneurs be transparent about what will and will not be offered, especially if they are offered only partial support?
- **If limited (or no) LOF support can be provided, should interventions promoting entrepreneurship still occur?** If institutional actors plan to promote migrant entrepreneurship among migrants suffering from LOF but cannot provide LOF support, why would the intervention still be planned and executed? Are there reasons to predict that the targeted migrants would still struggle at both the pre-launch and post-launch stages, possibly such that their venturing stops at the pre-

launch stage? Institutional actors should thoroughly analyze whether migrant entrepreneurs suffering from LOF should be *actively* encouraged to start their businesses and be offered business support (i.e., an intervention)—when that support may not assist with overcoming their LOF.

- ***Interventions and support designed to nurture long-term adaptation and legitimation?*** In considering ways to support migrant efforts, institutional actors should attend to if/how their support limits the development of cultural competence. Indeed, efforts to help and support migrant entrepreneurs (i.e., offering extensive advice, providing for needs) may come at the cost of migrant entrepreneurs learning how to function in the host country business context. Indeed, efforts to help and address short-term needs that facilitate venture emergence, could come at the cost of long-term adaptation and legitimation. These tradeoffs should be considered carefully in the design and implementation of migrant entrepreneur interventions.

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