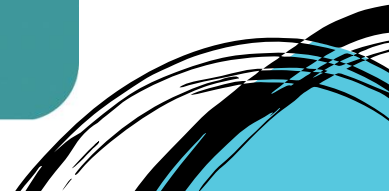




BE PART OF
SOMETHING
EXTRAORDINARY

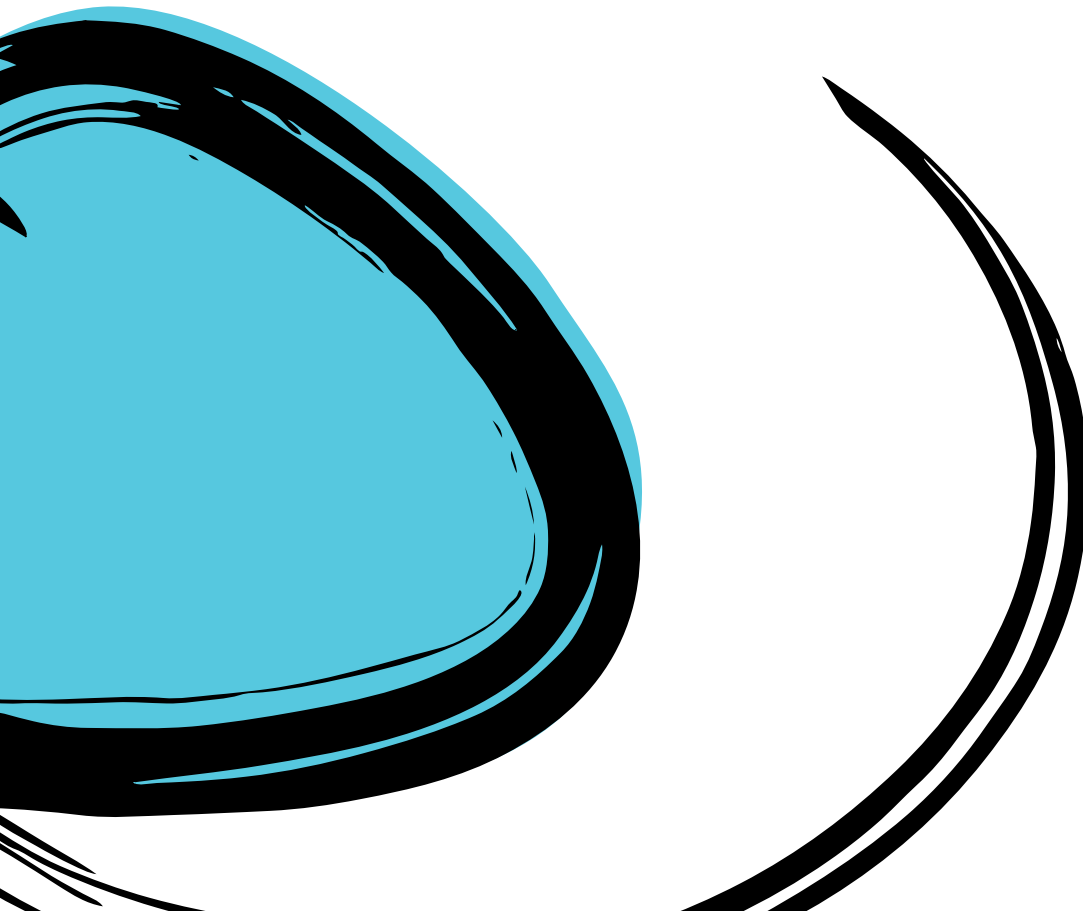
CENTRE FOR ENTERPRISE AND
ENTREPRENEURSHIP STUDIES

Mid-module review for LUBS2045 Entrepreneurship Theory and Prac tice



LUBS2045
Week 7 Lecture

Entrepreneurship and Crisis




Overview


- Building on previous lecture on COVID-19
- Different forms of crisis and their impact on entrepreneurship
- Importance of crisis and entrepreneurship research
- Crises in different forms and contexts: economic and social crisis; conflict
- Conclusions from different crises and their impact on entrepreneurship


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Rethinking entrepreneurship in causally entangled crises: A poly-crisis perspective

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^b David H. Jacobs Chair in Strategic Entrepreneurship, Kelley School of Business, Indiana University, United States of America

ARTICLE INFO	ABSTRACT
<p>Keywords: Entrepreneurship Crisis Uncertainty Equilibrium Self-efficacy Hope</p>	<p>Over the last few years, the world has witnessed the emergence of a poly-crisis era in which overlapping, causally entangled crises, such as pandemics, war, inflation, natural disasters, etc. converge to challenge assumptions of societal stability upon which much of the field's knowledge base has been developed over the last few decades. In this editorial, we propose a poly-crisis perspective to entrepreneurship and compare it with entrepreneurship under both normal times and a single crisis. In doing so, we highlight the need to reexamine the boundary conditions of our models and to propose some questions, constructs, and methods that deserve increased attention in a world where institutional uncertainty is the rule rather than the exception.</p>

Different forms of crisis



ENTREPRENEURSHIP & REGIONAL DEVELOPMENT, 2016
VOL. 28, NOS. 5–6, 471–475
<http://dx.doi.org/10.1080/08985626.2016.1198091>



Entrepreneurship and crises: business as usual?

Rachel Doern^a, Nick Williams^b and Tim Vorley^c

^aInstitute of Management Studies, Goldsmiths University of London, London, UK; ^bBusiness School, University of Leeds, Leeds, UK; ^cManagement School, University of Sheffield, Sheffield, UK

The aim of this Special Issue is to examine more closely the relationship between entrepreneurial activity and crises. Crises tend to have severe consequences for businesses, gener-



Articles

The impact of institutional change on entrepreneurship in a crisis-hit economy: the case of Greece

Nick Williams ✉ & Tim Vorley

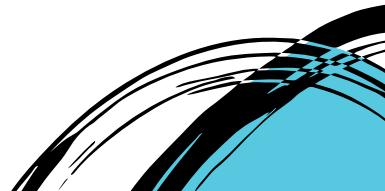
Pages 28–49 | Received 08 Apr 2014, Accepted 03 Dec 2014, Published online: 09 Jan 2015

Download citation

<https://doi.org/10.1080/08985626.2014.995723>



Case Study: Migration and Entrepreneurship



Migration

- People are moving across international borders more than ever before (United Nations, 2021)
- Approx. 281 million international migrants (United Nations, 2021)
- Global migration has lifted millions out of poverty and boosted economic growth
- People often move in search of new opportunities unavailable to them at home
- Migrants can triple their wages after moving to a new country; helped millions of individuals and their relatives at home escape poverty (World Bank, 2018)



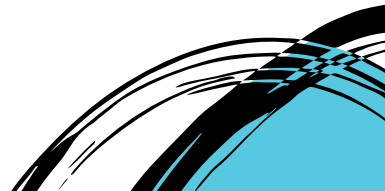
Migration Gains

- Receiving countries gain the skills and talents of new migrants
- Developed countries gain the most: USA, UK, Canada and Australia are home to almost two-thirds of migrants with University level education (World Bank, 2018)
- At lower levels of skills and qualifications countries benefit, with migrants filling critical roles
- Immigration has “allowed business to gorge on human capital – cheap labour for the fast-food restaurants and skilled labour for Silicon Valley” (Greenspan and Wooldridge (2018: 346)



Migration and Entrepreneurship

- Migrants have higher than average rate of entrepreneurial activity, a recurring feature across multiple historical flows of migration (Edwards et al., 2016)
- Literature has begun to explore the experiences of migrant entrepreneurs (Lin et al., 2018)
- Yet despite this work, understanding the role and contribution of migrants to entrepreneurship and economic development still requires attention (Li et al., 2012)
- Need to understand diversity of context and action (Reuber et al., 2018)



Forced Migration

- Not all migration is out of choice and in search of new opportunities (Bizri, 2017)
- Individuals also move to escape poverty, conflict and persecution (UNHCR, 2020), with some later returning to their homelands



Forced Migration and Post-conflict Economies



Articles

Fostering productive entrepreneurship in post-conflict economies: the importance of institutional alignment

Nick Williams & Tim Vorley

Pages 444-466 | Received 29 Jan 2016, Accepted 10 Feb 2017, Published online: 02 Mar 2017

Open Access | Published: 02 May 2018

Coming out of conflict: How migrant entrepreneurs utilise human and social capital

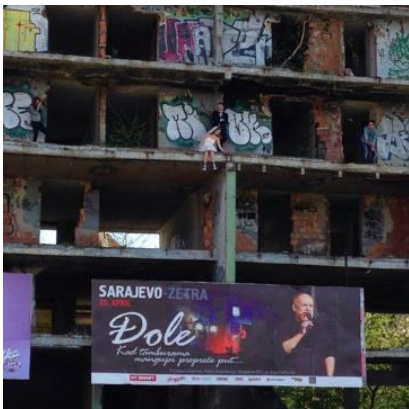
Nick Williams & Besnik A. Krasniqi

Journal of International Entrepreneurship 16, 301-323 (2018) | [Cite this article](#)

Research on Balkans



- Data from post-conflict economies:
 - Bosnia & Herzegovina (war 1992-1995)
 - Kosovo (war 1998-1999)
- Ethnicity-based conflict a key cause of displacement and continued tensions within the countries today (UNHCR, 2020)

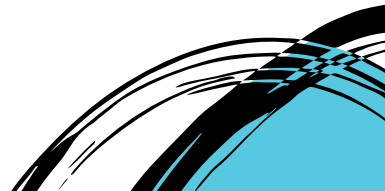


Topics	DB 2020 Rank	DB 2020 Score	DB 2019 Score ⓘ	Change in scor points)
Overall	57	73.2	71.0	↑ 2.2
Starting a Business	12	95.9	95.7	↑ 0.2
Dealing with Construction Permits✓	160	55.3	52.9	↑ 2.4
Getting Electricity✓	90	73.9	64.4	↑ 9.5
Registering Property	37	77.5	77.5	..
Getting Credit	15	85.0	85.0	..
Protecting Minority Investors✓	128	40.0	32.0	↑ 8
Paying Taxes	48	81.9	81.9	..
Trading across Borders	31	94.2	93.8	↑ 0.4
Enforcing Contracts✓	53	64.7	63.8	↑ 0.9
Resolving Insolvency	48	63.5	63.4	↑ 0.1

Topics	DB 2020 Rank	DB 2020 Score	DB 2019 Score ⓘ	Change in scor points)
Overall	90	65.4	65.4	..
Starting a Business	184	60.0	59.8	↑ 0.2
Dealing with Construction Permits	173	48.6	48.6	..
Getting Electricity	74	79.0	78.9	↑ 0.1
Registering Property	96	63.6	63.6	..
Getting Credit	67	65.0	65.0	..
Protecting Minority Investors	88	56.0	56.0	..
Paying Taxes	141	60.4	60.4	..
Trading across Borders	27	95.7	95.7	..
Enforcing Contracts	93	57.8	57.8	..
Resolving Insolvency	37	68.2	67.8	↑ 0.4

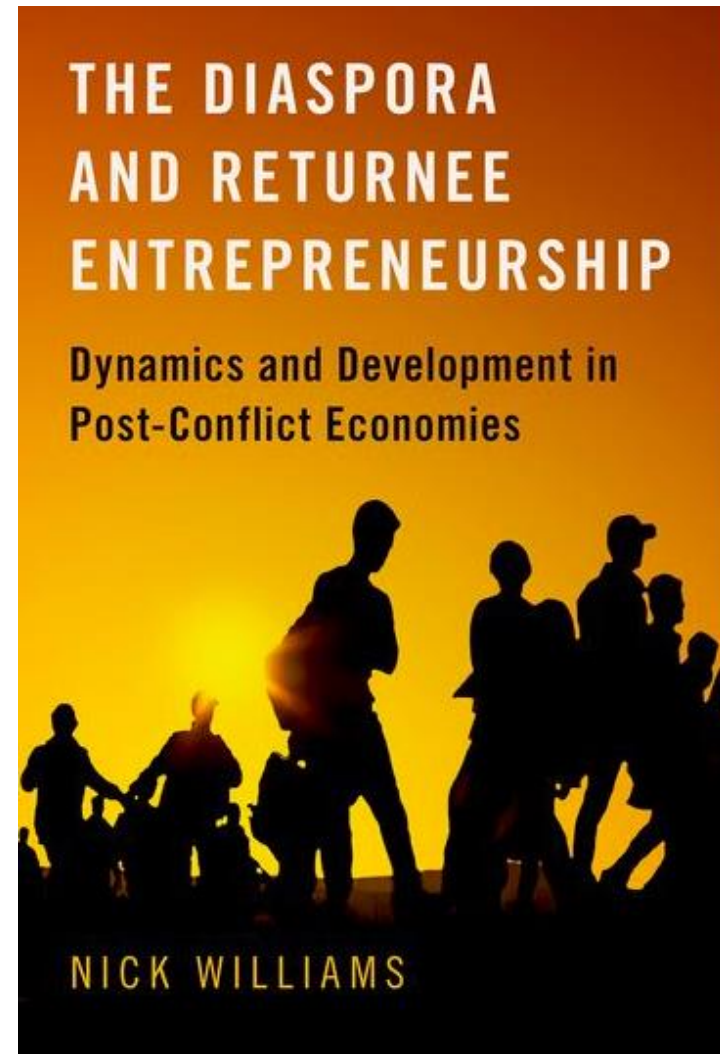
Institutional Voids

- Conflict worsens institutions and leads to forced migration
- Post-conflict economies can be characterized as containing significant institutional voids
- Institutional voids can be defined 'as a lack or a failure of existing institutions' to support efficient entrepreneurial activity (Webb et al., 2020, p. 504)
- For example: weak formal institutions and poor enforcement of laws, regulations and property rights (Williams & Vorley, 2017)



Diaspora and Returnee Entrepreneurship

- Diaspora defined as dispersion of ethnic and national groups across international borders who maintain a relationship to their home country (Safran, 1991)
- Diaspora communities often maintain an altruistic tie to their homeland (Nielsen and Riddle, 2010) - often contribute through remittances
- In post-conflict economies, instability of the homeland is compared to the stability found in their host country



Returnee Entrepreneurship

- Even in challenging environments, diaspora investment does take place

When Forced Migrants Go Home: The Journey of Returnee Entrepreneurs in the Post-conflict Economies of Bosnia & Herzegovina and Kosovo

Nick Williams¹, Emmanuella Plakoyiannaki², and Besnik A. Krasniqi³

Entrepreneurship Theory and Practice
2022, Vol. 0(0) 1–31
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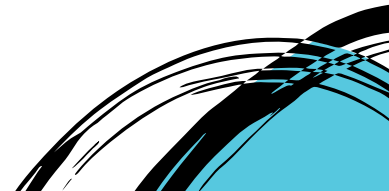


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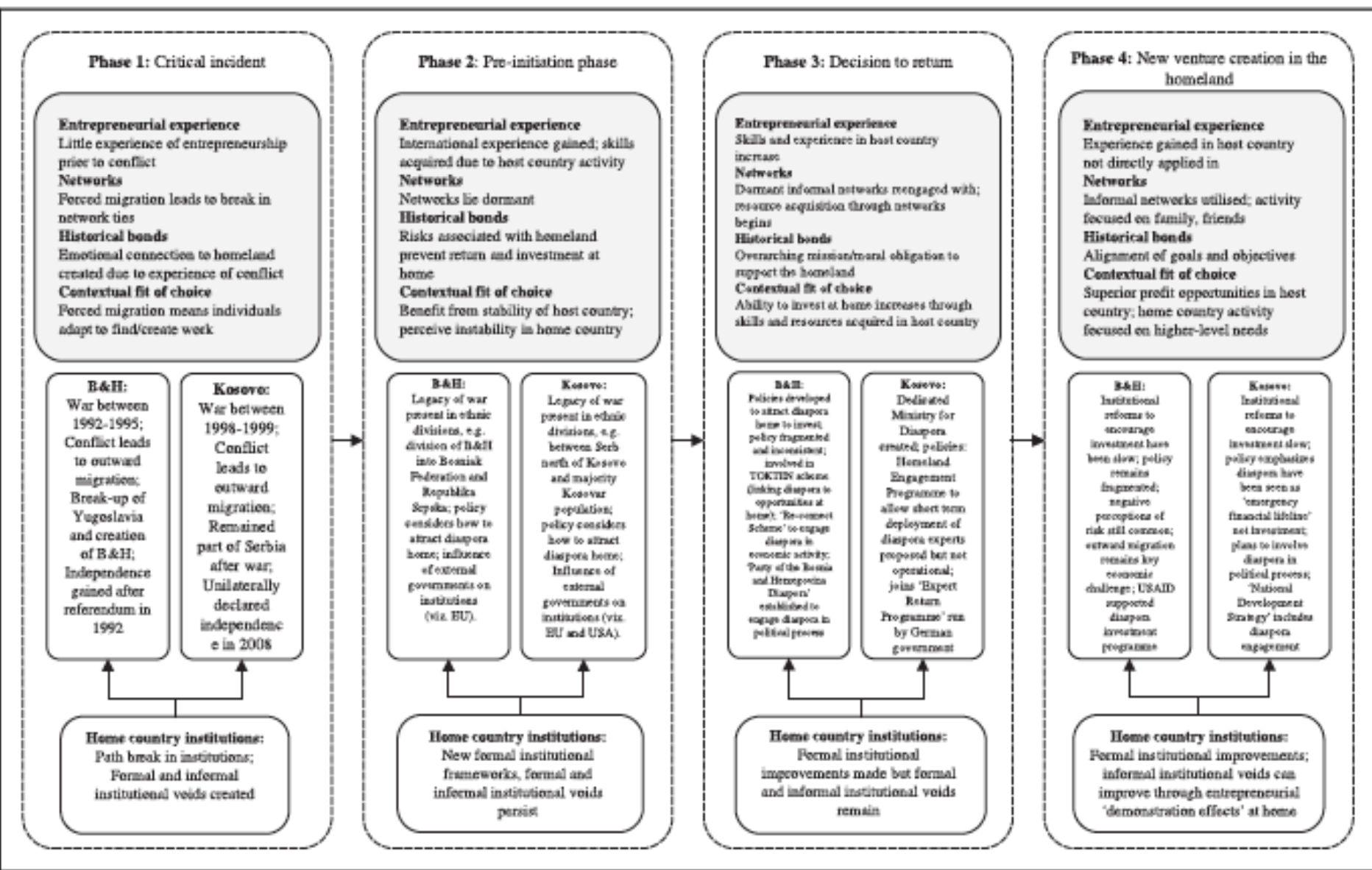


Figure 2. The process of forced migration and returnee entrepreneurship in B&H and Kosovo.

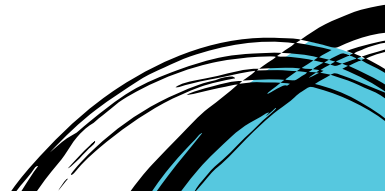
Emotional Attachment

- Emotional attachment is a key driver to invest in homeland
- Historical bonds born through adversity (experience of conflict) creates moral obligation
 - Motivated by desire to create jobs for family/friends
 - Desire to contribute to economic and social development (due to legacy of war)
 - Not simply motivated by self-interest
 - Driven by **strong ethnic ties**
 - Entrepreneurs can act based on their concern for 'known others' as well as 'unknown others' (Gruber and MacMillan, 2017).
- Not held back by 'psychic distance' (Nkongolo-Bakenda and Chrysostome, 2013) or 'liability of foreignness' (Zaheer, 1995)
- Drawing on international experience is important, but investments typically outside of areas of expertise



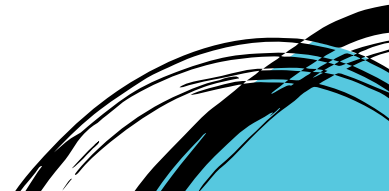
Incremental Investment

- In challenging institutional environments, there is “little incentive for entrepreneurs to commit themselves to long term projects forcing them instead to concentrate on the task of surviving” (Smallbone & Welter, 2001, p. 260)
- Investment often incremental in nature - challenges theories of ‘born-global’ international entrepreneurs where focus is on unique product
- Avoidance: key strategic decision is to avoid attentions of government
 - Acts as a growth impediment
 - Perceived corruption can stifle entrepreneurial ambition (Williams & Vorley, 2017)
 - Applies growth penalty on economy and undermines government efforts to engage diaspora



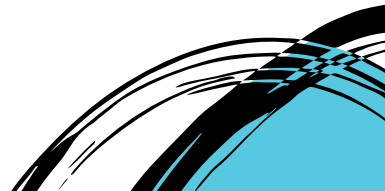
Use of Social Networks

- Social networks allow access to information and knowledge (Coleman, 1988)
- Institutional voids can trigger the usage of informal networks and ultimately influence the objectives of returnee entrepreneurs
- Returnee entrepreneurs may have been disassociated or isolated from the home country when they are abroad
- Difficult to maintain social ties without geographical proximity (Liu et al., 2015)
- Forced migrants have left behind resources as they have moved quickly
 - experience disruption to previous networks at home due to conflict or other factors
- Ties that were dormant can be easily reconnected with



Conclusions

- Critical incident of conflict leads to a historical connection to the homeland of forced migrants, as well as institutional voids which can enable returnee entrepreneurship – voids not simply a constraint (Doh et al., 2017)
- Institutional voids can trigger the usage of informal networks and influence the objectives of returnee entrepreneurs
- Individuals develop skills and knowledge of other institutional environments while abroad, but the historical legacy will influence activity more than this experience
- Networks of family, friends and ethnic ties are reconnected with on return; key objective is the moral obligation to the homeland which is not lost despite time away



Case Study: Chile



Topics	DB 2020 Rank	DB 2020 Score	DB 2019 Score i	Change in Score (points)
Overall	59	72.6	72.3	↑ 0.3
Starting a Business ✓	57	91.4	89.1	↑ 2.3
Dealing with Construction Permits	41	75.9	75.9	..
Getting Electricity	39	85.7	85.7	..
Registering Property	63	71.1	71.1	..
Getting Credit	94	55.0	55.0	..
Protecting Minority Investors	51	66.0	66.0	..
Paying Taxes	86	75.3	75.3	..
Trading across Borders	73	80.6	80.6	..
Enforcing Contracts	54	64.7	64.7	..
Resolving Insolvency	53	60.1	59.9	↑ 0.2

Chile



DOING BUSINESS ARCHIVE

Indicator	Chile	OECD high income
Procedure – Men (number) i	6	4.9
Time – Men (days) i	4	9.2
Cost – Men (% of income per capita) i	2.7	3.0
Procedure – Women (number) i	6	4.9
Time – Women (days) i	4	9.2
Cost – Women (% of income per capita) i	2.7	3.0
Paid-in min. capital (% of income per capita) i	0.0	7.6

The Crisis in Chile



Journal of Business Venturing
Insights

Volume 14, November 2020, e00181



Reorienting entrepreneurial support infrastructure to tackle a social crisis: A rapid response

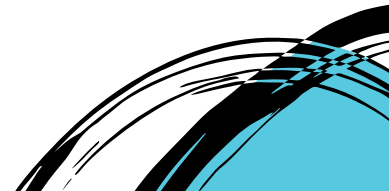
Pablo Muñoz ^{a, b}, Wim Naudé ^{c, d}, Nick Williams ^f, Trenton Williams ^g,
Rodrigo Frías ^h

- Facing worst economic crisis in decades
- Context of research is the riots that started in 2019
- Many small businesses closed due to threat of violence (a different form of lockdown)
- CORFO playing a role in supporting entrepreneurs through new financial rescue package (including support for Start-Up Chile)
- Developing action plan based on research



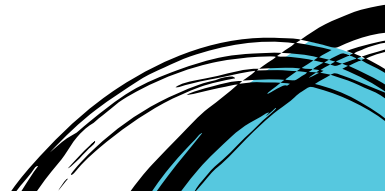
Responding to the Crisis (1)

- Countries experiencing crisis must balance short-term and long-term considerations, so that over time the economy can become more resilient and thus better able to withstand shocks
- Policy making which supports entrepreneurship during a crisis is not easy
- First rule should be 'do no harm':
 - policy makers should avoid any actions which limit entrepreneurial activity and its potential contribution to economic and social development (e.g. Greece)



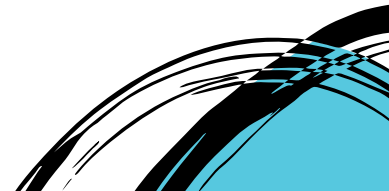
Responding to the Crisis (2)

- Policy makers must also seek ways to enable economies to become more diverse - greater diversity in the economic base can lessen the impact of a crisis (Williams and Vorley, 2017)
- Avoid supporting elite entrepreneurship and encourage ecosystem democracy instead – funding to those who need it least
- Measures which seek to reduce unemployment (for example through loans and subsidies) must not simply consolidate the positions of dominant businesses; but must seek to encourage competition and diversity
- In this way, economies can become more resilient over time
- Certain sectors or supply chains may be vulnerable to a crisis (depending on its nature) others can withstand it better



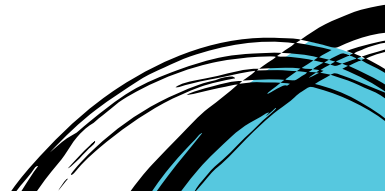
Responding to the Crisis (3)

- Entrepreneurial diversity can also enhance social cohesion by bringing a broader range of knowledge together - social cohesion acts to bind society's assets together
- This is a challenge in the context of Chile, given the levels of inequality which has meant that social strata do not mix (Davies, 2019)
- Such division undermines the social cohesion which has important implications for resilience, as more cohesive societies enjoy higher levels of economic development (Huggins and Thompson, 2017).
- Entrepreneurial activity in the midst of crisis can make important contributions to social cohesion; e.g. research on Hurricane Katrina showed how entrepreneurs can perform important community recovery roles (Grube and Storr, 2018)



Conclusions from Chile's Crisis

- While the causes of crises are better understood (Doern et al., 2018), resolving how economies can bounce back from a crisis and what policy makers can do still requires research
- Answers facing Chile (and elsewhere) are not simple and contain a number of difficult trade-offs. But principles remain:
 - Do no harm
 - Entrepreneurial diversity
 - Social cohesion
- Crises that have been decades in the making, such as in Chile, are not simple to resolve
- Responding to crises that are more difficult to foresee and with an uncertain end (e.g. Covid-19) is even more challenging



Final Thoughts

- World Economic Forum (2023): “The world is experiencing prolonged economic, social and geopolitical turbulence, driving uncertainty and volatility to their highest levels in decades.”
- Crises have different impacts and outcomes (short, medium and long term)
- Response will depend on effectiveness of institutions and institutional change
- Recovery requires long-term policy objectives and strategies, and entrepreneurship represents a central aspect of those policies
- Promoting entrepreneurship is regarded as a crucial element required for economic growth after a crisis

