

# The Role of Embeddedness of Migrant Start-ups in Local Entrepreneurial Ecosystems During the COVID-19 Crisis

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Article abstract

As with all start-ups, the COVID-19 pandemic has led to a changing environment for migrant start-ups. These changes have posed many challenges to altering strategic behaviour and approaches to driving business. We explored migrant start-ups' embeddedness in entrepreneurial ecosystems by analysing data from 14 semi-structured interviews with start-ups from Berlin's knowledge-intensive business services sector. We argue that the success of migrant start-ups during crises is dependent mainly on the embeddedness in the local entrepreneurial ecosystem. Thus, we expect entrepreneurs to utilise local networks, infrastructures and interactions to help them cope with the challenges and pave the way for local and international business activities. Our results indicate that embedding in local entrepreneurial ecosystems and a sense of belonging, especially during the business formation phase, play a vital role for migrant start-ups in general and crisis. Revitalising the concept of local embeddedness while considering business development stages, this study challenges the prevailing notion of transnational networks as the sole determinant of entrepreneurial success. Instead, we advocate for greater recognition of the significance of accessing local resources, including market knowledge, social relationships, and institutional support, as fundamental factors driving business development and crisis management within the host country. By recognising and nurturing these local resources, policymakers and support organisations can create an enabling environment that empowers migrant start-ups to thrive, adapt, and contribute to the local EE and economic wealth.

# **The Role of Embeddedness of Migrant Start-ups in Local Entrepreneurial Ecosystems during the COVID-19 Crisis**

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**Key words:** migrant entrepreneurship, migrant start-ups transnationalism; translocal embeddedness COVID-19; crisis; entrepreneurial ecosystem

## **Introduction**

Migrant start-up activities are an essential indicator of economic development, as they are instrumental in creatively combining research results into new products and business models and commercialising these innovations (Schäfer 2021). At the same time, while shaping future economic activity, innovative start-ups can be viewed as vulnerable actors in an economy due to liabilities associated with their newness and small size. These peculiarities are likely exacerbated by the COVID-19 crisis (Kuckertz et al., 2020; OECD, 2020a). Distinct from

earlier crises, such as the financial crisis of 2008, the exogenous shock caused by COVID-19 is of unprecedented order and entrepreneurs worldwide are forced to handle unexpected changes in almost any area of their business activities (Schepers, 2021; Kuckertz & Brändle, 2022; Brinks & Ibert, 2020a). As early data indicates, start-up activity is heavily disrupted by the pandemic and associated lockdowns (Calvino et al., 2020; Camino-Mogro, 2020; OECD, 2021). We expect migrant start-ups, as a subgroup of migrant entrepreneurs, to be hit even harder by the COVID-19 crisis, the latter being defined as businesses founded by people with a migration history (first and further generations; David et al., 2022).

Closely related to migrant entrepreneurs and start-up activities are international and transnational entrepreneurship phenomena, two forms of entrepreneurship often initiated by migrants (Portes et al., 2002). International entrepreneurship is a cross-disciplinary field describing “[t]he discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt & McDougall, 2005: 540) by which venture opportunities are offered.

From both, transnational entrepreneurship builds a core topic in economic and migration sociology, economic geography, and economic entrepreneurship research (Ebner, 2020). Corresponding research strands assume the globalisation of economic activities simultaneously is driven by established multinational enterprises, with their global value chains and sales strategies, and small-scale international and transnational migrant entrepreneurs. According to Solano (2016), transnational migrant entrepreneurship (TME) refers to self-employed (im-)migrants who use their migration experience to create cross-border businesses. Santamaria-Alvarez et al. (2019) add to this definition, positing the creation of ideas, goods, and services through exploiting opportunities across national borders as characteristic features of TME. In TME literature, the transnationalism approach is an essential point of reference, elucidated by Vertovec (2009: 1):

*“Today, transnationalism seems to be everywhere, at least in social sciences. That is, across numerous disciplines, there is a widespread interest in economic, social and political linkages between people, places and institutions crossing nation-state borders and spanning the world”.*

Similarly, Elo et al. (2018: 123) argue that “[t]here are ongoing discussions regarding the ways how international entrepreneurship is conceptualized and contextualized and what kind of foundation these discussions employ”. In line with studies on ‘ethnicity’, ‘diaspora’, ‘gender’, and further (Aldrich & Waldinger, 1990; Zhou, 2004; Elo et al., 2019; Webster & Haandrikmann, 2022), ‘transnationalism’ and ‘internationalism’ offer additional perspectives on migrant entrepreneurship and migrant start-ups (Harima & Baron, 2020; Drori et al., 2009; Guarnizo, 2003). Scholars emphasise transnationalism as a ‘trendy catch-all’ (Pries, 2007) to place migrants’ business activities in a global context (Harima & Baron, 2020). Operating ‘in the cross-border context of transnationalism’, research on transnational entrepreneurs considers the duality of migrants’ embeddedness (mainly using their business models) in two or more socio-economic contexts (Drori et al., 2021: 619). In contrast, the internationalisation of migrant businesses does not necessarily mean embeddedness in different contexts but instead offering services and products on international markets (Lundberg & Rennforse, 2018).

Just as research on inner-city enclaves and the clustering of immigrant firm owners in local markets and niches (Waldinger et al., 1990; Kloosterman, 2014; Ram & Smallbone, 2003;

Kloosterman et al., 1999; Ram & Sparrow, 1993), geographers refer to local opportunity structures and migrant entrepreneurship by characterising migrant entrepreneurial endeavours as part of urban economies (Räuchle & Schmiz, 2019). With this, for instance, their potential and diaspora effects on urban development and ecosystem creation are discussed (David et al., 2021; Schmiz & Räuchle, 2020; Elo et al., 2019; Räuchle & Nuissl, 2019; Spigel & Bathelt, 2019). Giving prominence to networks and ecosystems, scholars emphasised internationalism, transnationalism and (transnational) mixed embeddedness as resources for the competitiveness and opportunity structures of migrant entrepreneurship in local entities (Ruthemeier, 2021; Bilecen & Lubbers, 2020; Sommer, 2020; Phuong & Harima, 2019; Bagwell, 2018; Kloosterman & Rath, 2018; David, 2015; Solano, 2016; Omrane, 2015; Schmiz, 2011). In arguing that transnational migrant businesses could accelerate innovations (David & Terstriep, 2019; Harima, 2014), the focus was placed on migrant entrepreneurs' knowledge as an economic factor. Attention was also given to the impact of TME in the evolution of ecosystems, discussing the regional opportunities for entrepreneurial environments (Schäfer & Henn, 2018). In addition, studies on TME and local embeddedness analysed the reciprocal impact of transnational migrant entrepreneurs and regional economies (Sandoz et al., 2022). For example, Brzozowski et al. (2014, 2017) and Sequeira et al. (2009) shed light on transnational entrepreneurs' embeddedness in their home country and its influence on their business activities. Lundberg and Rehforse (2018) argue that migrant entrepreneurs have a higher propensity for international business activities.

In light of the COVID-19 pandemic and despite the digitalisation of the economy, global lockdowns with local effects, changing customer demands, difficulties in travelling, and varying policy measures, including contact restrictions, are likely also to affect international and transnational migrant start-ups' access to resources and establishing global networks while their impact remains to be studied (OECD, 2020b; Bailey et al., 2020). Though many scholars have attempted to advance understanding of the economic effects occasioned by the COVID-19 pandemic on entrepreneurship (cf. Kuckertz & Brändle, 2022), evidence of the impact on migrant start-ups is yet, scarce. A Web of Science title search yielded only four matches for the search string COVID-19 AND \*migrant entrepreneur\*. There were no matches for COVID-19 AND migrant AND startup\*. In contrast, there were 126 results for COVID-19 AND entrepreneur\*.

Against this backdrop, we focus on migrant start-ups (0-5 years) to investigate the role of socio-spatial embeddedness in the entrepreneurial ecosystem (EE) in the location of registration (Berlin) for business development in times of crisis. In doing so, this exploratory study responds to Kuckertz and Brändle's (2022) call to consider the specific context in which the entrepreneurs under investigation operate and their backgrounds. Reflecting on migrant entrepreneurship and entrepreneurial ecosystems, we argue that socio-spatial embeddedness in the local ecosystem and access to local assets can help reduce crisis-related uncertainties and advance opportunity recognition in business formation and early stages of migrant start-ups. Consequently, the research question guiding our study is: *What is the role of socio-spatial embeddedness of migrant start-ups in knowledge-intensive business services (KIBS) in the local EE in times of crisis?* Hence, our explorative study aims are threefold: First, by collecting data from migrant start-ups, we strive to identify entrepreneurs' perceptions of the founding process during the COVID-19 pandemic. Second, given these specific challenges, we envisage providing insights into whether and how migrant start-ups utilise their embeddedness in the local EE to mitigate adverse effects from the exogenous shock. Third, we aim to suggest paths

for future research and contribute to theory development, emphasising the importance of embedding in local ecosystems in the early stages of business development.

In what follows, we start with a literature review to position our study in the scientific discourse on transnationalism, transnational and international migrant entrepreneurship, and embeddedness and provide an overview of earlier indications as to what extent entrepreneurs are affected by the COVID-19 pandemic. Next, we introduce our qualitative research design, including information on the contextual factors. In Section 4, we present our main results. This is followed by a discussion of the relevance of local embeddedness in the early development stages of migrant entrepreneurs making three propositions (section 5). The paper concludes in section 6 with implications for theory, management and policy. By linking results to current debates, we formulate suggestions for future research and point to the study's limitations.

## **Revisiting Embeddedness in Migrant Entrepreneurship**

### ***Internationalism, transnationalism & migrant entrepreneurship***

Next to political and socio-cultural processes, both concepts of internationalism and transnationalism centre on economic globalisation (Robinson, 1998), including entrepreneurial activities. Though transnationalism, in its narrow understanding, is challenging to separate from globalisation, both terms are not interchangeable (Tedeschi et al., 2022). While globalisation describes the interlinkages between countries and continents, transnationalism refers to individual and civil society movements across borders (ibid.). In contrast, internationalism relates to developing products and services and structuring internal operations in business to make expansion into international markets possible.

Distinct from globalisation, internationalism and transnationalism emphasise the creation of concrete interdependencies and linkages beyond a simple local/global dichotomy (Knecht, 2011). For instance, in the context of migration studies, Glick Schiller et al. (1992) point to transnationalism as the link of migrants between their home country (country of origin) and the receiving country. Distinguishing various categories of actions carried out across borders, Portes (2001: 185) points to “those [activities] conducted by non-institutional actors from civil society” (e.g. entrepreneurs). Regarding the exchange of resources, people, and relationships in transnational activities, Vertovec (2009) argues that these activities may broaden, deepen, and intensify societal transformation processes. The role of social networks in this liminality stage between two or more societies has explicitly been highlighted (Glick Schiller et al., 1992). In the economic context, transnationalism was mainly introduced by Portes (2001) and Guarnizo (2003), who elaborated on how transnational entrepreneurs activate their cross-border networks to run entrepreneurial activities.

The rise of transnationalism in migrant entrepreneurship, at least since early 2000, signalled a change in the way of regarding and reconstructing migratory movements and replaced understandings of migration as a one-time process (Lundberg & Rehnfors, 2018; Castells, 2009; Portes et al., 2002; Pries, 2001a,b). Among others, the new concept of transnational social spaces (TSS) was introduced, linking geographical migration studies, transnationalism, and migrant entrepreneurship in spatial science (Schmiz, 2011; Pries, 2001b). Pries (2007) refers to the ideal type of a TSS as a space that crosses national borders and stretches between different locations, regions, and countries without a specific core. He identifies TSS as ‘pluri-local’ spaces spanning different life places (Pries, 2001b). In parallel, Portes et al. (2002) describe the

phenomenon of transnational entrepreneurs, referring to people whose company's success depends on activities abroad. Drori et al. (2009: 1001) define transnational migrant entrepreneurs as “[...] individuals that migrate from one country to another, concurrently maintaining business-related linkages with their former country of origin and currently adopted countries and communities. By travelling physically and virtually, transnational entrepreneurs simultaneously engage in two or more socially embedded environments, allowing them to maintain global relations that enhance their ability to creatively, dynamically and logistically maximise their resource base”.

These theoretical strands can be retrieved in Guarnizo's (2003) definition, where he refers to TME as a particular form of migrant entrepreneurship marked by transnational economic activities. To better grasp TME, Harima and Baron (2020) offer a comprehensive distinction between international entrepreneurship and TME. Arguing that international entrepreneurship research focuses on firm-level, TME deals with entrepreneurs' *dual embeddedness* and cognitive capacity (ibid.). Being of cross-disciplinary nature, one stream of the concept of 'dual embeddedness' builds on Granovetter's (1985) idea of the embeddedness of entrepreneurial activities in social relations (Colic-Preisker & Deng, 2019; Ren & Liu, 2015). Here, 'dual embeddedness' refers to transnational entrepreneurs' embeddedness in two or more (multiple) cross-border networks, institutional and market contexts, and their interdependencies (Drori et al., 2021). In this regard, several studies were conducted on transnational migrant entrepreneurs' cross-border activities, new opportunity structures arising from transnationalism, and contexts enabling or hindering migrants' entrepreneurial activities (David & Terstriep, 2019; Santamaría-Alvarez et al., 2019; Lundberg & Rehnfors, 2018; Portes & Yiu, 2013). Recently, Bagwell (2018) combined the concept of transnationalism with mixed embeddedness (Klosterman et al., 1999) to 'transnational mixed embeddedness'. The author emphasises the duality of embeddedness operating at the macro-level (institutional regimes in countries of origin and residence), meso-level (local, regional, national plus global markets) and micro-level (additional social capital from transnational networks, to complement that which is available locally.), i.e., dynamics of opportunities through being embedded in multiple locations. In doing so, Bagwell (2018) offers further layers to the concept of TME, considering the bases of its additional resources and the multi-scalar dimension of its transnational business activities. In that line, Solano et al. (2022: 2) offer “[t]he concept of multifocality, covering the simultaneous involvement of migrant entrepreneurs in both multiple places *and* multiple groups, with group modes of behaviour as an additional dimension influencing the opportunity structure.”

Regarding dual embeddedness, there is a critical difference between internationalism and transnationalism: Whereas internationalism foremost emphasises firm-level issues, in transnationalism, dual embeddedness is an inherent feature (Harima & Baron, 2021). Additionally, with the view to the individual, the founders' migration experience is essential in transnational entrepreneurship (ibid.).

Despite the increasing interest in the subject and discourses on TME, scholars have not yet coalesced around a common definition. Thus, there is no established paradigm of TME but rather a considerable malleability in terms of conceptualisation and enactment. Counterintuitively, this fluidity of meaning and interpretation can also be seen as a strength of TME regarding its flexibility in addressing the complexity of migrant entrepreneurship, migrant start-up activities and further facets in practice by interdisciplinary scholars. Against this backdrop, anchored mainly in the debate on transnationalism (Brickell & Datta, 2011), the

concept of ‘translocality’, as the territorialised notion of transnationalism, offers a promising avenue to answer our research question. It “captures the diverse and contradictory effects of interconnectedness between places, institutions and actors” (Greiner & Sakdapolrak, 2013: 375). Or, as posited by Brickell and Datta (2011), translocality research primarily focuses on the influence of social connections between different locations in shaping transnational migrant networks and economic exchanges. Analysing transnational migrant start-ups in a specific location (in our study: Berlin), the concept of translocality allows mediating entrepreneurial processes between the scope of global and local, along with their various interconnections and interactions (Chacko, 2011). Acknowledging the ‘primacy of place’, translocality has the potential to invigorate local-to-local connections and place-to-place relationships. From a geographic perspective, translocal approaches explain complex phenomena of social-spatial arrangements, including international migration, knowledge transfer and local development processes (Greiner & Sakdapolrak, 2013). In the following, ‘local’ and ‘translocal’ are used to distinguish transnational migrant start-ups’ embeddedness in a specific, respectively, multiple local ecosystems while sticking to the established term of TME when describing the here analysed group of entrepreneurs.

### ***Varieties of Embeddedness & Migrant Entrepreneurship***

Embeddedness is a far-reaching concept. In literature, the most prominent terms comprise, amongst others, socio-spatial, local, regional, dual, or mixed embeddedness. From a geographical perspective, embeddedness highlights a relational standpoint on economic actors and firms instead of a simple spatial analysis of geographical units (Hess, 2004; Bathelt & Glückler, 2003). It marks a shift away from fixed “container spaces” to “spaces as fluid social constructs” (David & Schäfer, 2022: 132). Oinas (1997) has significantly influenced the further development of research on spatial embeddedness, building upon the foundational works of Polanyi (1944) and Granovetter (1973, 1985), who were among the early contributors in the field. The concept is rooted in the understanding that economic activities are intricately intertwined with social relationships. Consequently, they must be connected to the broader social context (David & Schäfer, 2022).

Extended through the social gaze, socio-spatial embeddedness points to the effects of the local and/or regional environments, including relational facets, on economic activities. Yeung (2005) discusses the features of socio-spatial interactions in due consideration of power relations and actors’ practices from a relational, economic geography perspective. From an entrepreneurial perspective, the literature suggests that business formation processes, i.e., start-up activities, are increasingly contextualised, influenced by social and institutional contexts, and originate from embeddedness in local networks (Audretsch & Belitski, 2021; Lassalle & Johnston, 2018; Malecki, 2018; Martynovich, 2017). For instance, regarding TMEs, Bagwell (2018) points out that exploiting transnational opportunities depends on access to translocal *and* local social capital.

Moreover, embeddedness in the host country is viewed as a key indicator in explaining migrant entrepreneurs’ success (Quan et al., 2019). Hence, scholars ascribe the entrepreneurial ecosystem (EE) a decisive role in the entrepreneurial foundation process (O’Connor et al., 2018). Notwithstanding the burgeoning literature on EEs, definitions coalesce around Stam and Spigel’s (2018: 407) understanding of EE as a “set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory” (cf. Donaldson, 2021). Scholars consider formal and informal institutions,

infrastructures, and relations as relevant factors that highlight the specific characteristics of a particular location (Fredin & Lidén, 2020; Audretsch & Belitski, 2017; Spigel, 2017; Neck et al., 2004). In addition, the EE approach accounts for social structures and a culture designed to raise awareness of and assist entrepreneurial activity. This structure inspires, for example, budding entrepreneurs to assess the risks of starting, funding, and growing high-risk ventures (Spigel & Harrison, 2018; Spigel, 2015). Just as Bagwell (2018), from an EE perspective, Spigel and Harrison (2018) argued that it is not just the availability of location-specific assets such as skilled workforce, knowledge spillovers and further but start-ups' access to these assets which is considered crucial.

Next to the EE approach, the mixed embeddedness approach offers a different lens to capture the complex, dynamic interplay of the social, economic, spatial, and institutional contextual factors centring on migrant entrepreneurship and opportunity structures (Kloosterman, 2010; Kloosterman et al., 1999). Here, networks are identified as the origin of resources for migrant entrepreneurs (Lassalle & Johnston, 2018; David, 2015). These can be context-specific and involve transnational interconnections or local communities (Kloosterman & Rath, 2010). Scholars examined how local community networks provide opportunities for migrant entrepreneurs by allowing access to human capital and customers, knowledge exchange and financial support (Rutten, 2017; David, 2015; Jones & Ram, 2010; Kloosterman & Rath, 2001; Kloosterman, 2000). Furthermore, Jamaludin et al. (2020) study how local community networks help entrepreneurs to sense and seize opportunities. Boschma (2005) posited that proximity is crucial for firms to achieve a competitive advantage through knowledge creation and innovation. It may also facilitate or even be supplanted by social or cultural factors (Lagendijk & Lorentzen, 2007; Lassalle & Johnston, 2018). Sharing a common set of norms, values, or language, i.e. social and cognitive proximity, accelerates collaboration between individuals (Terstriep & Lüthje, 2018; Bathelt & Glücker, 2003). Entrepreneurs' actions and their sensing and seizing of opportunities are embedded in a multifaceted, interactive social process that establishes specific norms, values, and habits (Terstriep & Lüthje, 2018). In addition, the proximity concept suggests that mutual trust in the integrity and reliability of other local actors, that is, relational proximity, encourages actors' readiness to engage in open exchange and interactions (ibid.).

While it is widely acknowledged that social/relational and cognitive proximity can partially compensate for the absence of geographical proximity, the latter's importance cannot be understated for migrant entrepreneurs. This is particularly true for those who are newcomers and have limited network connections in the host country. The importance of geographical proximity is explicated in the following: "[...] social proximity and relational capital evolve in local [ecosystems] but have to be built in interactions with external partners. Therefore, a lack of spatial proximity typically limits firms' ability to interact repeatedly, establishing a foundation of social relationships for developing mutual trust and reciprocity" (Terstriep & Lüthje, 2018: 2173). Jamaludin et al. (2020) shed light on the prominence of geographical proximity among migrant entrepreneurs in local communities. They argue that proximity enables them to interact regularly, thus developing and strengthening their local social capital (ibid.). In addition, physical closeness plays a crucial role concerning inter-migrant knowledge exchange, providing insights into the opportunity structures and requirements to participate successfully in local markets (Lassalle & Johnston, 2018).



### ***Embeddedness in times of crisis***

Indisputably, the COVID-19 pandemic cannot be compared to any other crisis we have seen in recent years (Korsgaard et al., 2020). What happens in one region mainly happens in other regions simultaneously or with a slight delay, leading to general uncertainty and a lack of pioneering role models. Referring to Boin and Rhinard (2008), the COVID-19 pandemic has the character of a transboundary crisis (Brinks & Ibert, 2020b), i.e. a crisis that crosses geographical and functional (e.g. sectors, industries) boundaries. This leads to significant regional “consequences for economies, wellbeing, transportation, everyday life [...]” (Bailey et al., 2020: 1163). Although once advantages for entrepreneurial activities, well-trying factors, such as agglomeration or incidental interactions, might turn out differently in the context of crisis (ibid.). Following Boin and Hart’s (2007) characterisation of a crisis as uncertain, urgent, and threatening, Brinks and Ibert (2020b) describe people’s actions in the current crisis as conjuring up a paradigm from the past to understand present circumstances. Facing immediate and tangible consequences such as declining sales or mounting operational costs, Kuckertz et al. (2020: 2) posit that the COVID-19 crisis threatens the “[...] functioning and performance of a business”. Whereas the exogenous shock forced some start-ups to adapt their actions to the new situation, for others, the crisis generated new opportunities (ibid.).

Though several studies describe the effects of the ongoing crises on various types of entrepreneurs, including SMEs (Alonso, 2020; Bartik et al., 2020; Eggers, 2020; Fairlie, 2020; Giones et al., 2020; Morgan et al., 2020; Ratten, 2021; Schepers, 2021), Kuckertz et al. (2020) argue that start-ups particularly may struggle more with the pandemic. In the phase of formation and market entry, start-ups face a disruption of their core activities, including postponed products and service development. Furthermore, they are confronted with organisational challenges and whether their products/services need to be adapted to serve markets in the crisis aftermaths. It is harder for start-ups to receive help, as most public and state aid organisations tend to favour established entrepreneurs. Often, institutional aids are financially /oriented and seldom address mental support or mentoring. Innovative ideas generated by start-ups can be overlooked in a bid to protect established firms and sectors through policy measures (ibid.). In addition, Spigel and Ramli (2020) state that the COVID-19 crisis has placed firms under pressure due to the need for rapid and necessary changes in business practices alongside demands for new forms of a remote working culture that can affect personal well-being. Similarly, Giones et al. (2020) argue that while digital technology allows receiving informational support to be reasonably easy in situations of high uncertainty, such as COVID-19, emotional support – as a buffer to alleviate the effect of stress – is less available.

Following Bennett and Nikolaev (2020), the socio-cultural aspect of belonging to a group of like-minded people in times of crisis reduces challenges associated with a lack of face-to-face emotional and mental support. This sense of belonging is imposed by cohesion and a more collective culture. Hence, start-ups needing face-to-face exchange and support, lacking due to Corona-related limitations of personal contacts (Kim et al., 2008), rely even more on group membership. Although geographic proximity is not mandatory in the age of digitisation, findings by Quan et al. (2019) suggest that start-ups largely depend on structural embeddedness in the host country, including social networks such as business networks and ethnic groups. In this regard, Korsgaard et al. (2020) claim that a ‘local space’ holds the resources and relationships entrepreneurs need to cope with the crisis. Concerning like-minded ethnic groups and business networks, Knight (2012) touches on cultural proximity in times of crisis. He argues that “[c]ultural proximity is the ability for the individual or collectivity to recognise, and

eventually embody, representations of the past within the context of the present” (ibid: 350). Hence, the author argues that cultural embeddedness might be helpful for collective crisis management as it eases communication and interactions among actors due to shared language, values, and norms (cf. Ceci & Masciarelli, 2021). Concerning migrant entrepreneurs, David, Schaefer and Terstriep (2021) identified the extensive use of social and cultural local capital as a core asset in times of crisis. The scholars observed that perseverance and creativity not only help migrant start-ups to set up a business faster but possibly also to cope better with exogenous shocks and resulting uncertainty. From the angle of transnational migrant entrepreneurs, Vorobeva and Dana (2021) point to the heightened risk of being cut off from transnational business activities due to travel and contact restrictions.

If hampered by external COVID-19-related factors, migrant start-ups endeavouring international or transnational entrepreneurial activities and translocal embeddedness will have to cope with significant changes in their business development process. In response to the modified framework conditions, entrepreneurs may identify opportunities in the short term by anchoring in the local entrepreneurial ecosystem and altering or updating their focus on local opportunity structures.

As the literature review illustrates, entrepreneurial activities have a local dimension. Despite their dual embeddedness by translocality, during the current COVID-19 crisis, this is likely to be the case for transnational migrant entrepreneurs, particularly for the sub-group of transnational migrant start-ups analysed in this paper. Studies of entrepreneurial start-up activities indicate that local embedding is crucial in enabling cultural and cognitive proximity to evolve in local ecosystems and establishing social relationships. In this regard, the literature also refers to the physical closeness of like-minded groups in times of crisis, helping to better cope with unexpected occurrences. Drawing on recent findings in entrepreneurial studies of the effects of the COVID-19 pandemic on enterprises from different sectors, such as sport (Ratten, 2021), hospitality (Alonso et al., 2020), food (Apostolopoulos et al., 2021; Tajvidi & Tajvidi, 2020), KIBS (Miles et al., 2021) and creative industries (Khlystova et al., 2022) to name but a few, we extend the discussion by analysing the effects of the pandemic on transnational migrant start-ups as an increasing group of interest in migrant entrepreneurship studies.

While the literature on international and transnational migrant entrepreneurship and EE are well-elaborated and research on entrepreneurship and the COVID-19 crisis exists, evidence on migrant start-ups’ perspectives on developing business activities during the crisis remains scarce. Hence, our study extends existing theory by considering the specifics of migrant start-ups’ embedding in the local EE.

## **Research Design**

To understand what role the embeddedness of migrant start-ups in the local EE in times of crisis play, we adopt an exploratory case study methodology which is best suited for studying complex, contemporary real-life phenomena where theoretical knowledge is scarce (Eisenhardt & Graebner, 2007; Ghauri, 2020; Yin, 2018). Case study research designs – single case (e.g. Solano, 2016, 2020) or multiple cases (e.g. Elo, 2016; Harima & Baron, 2020; Lundberg & Rehnfors, 2018; Räuchle & Schmiz, 2018) – are well-established in migrant entrepreneurship research. To fathom the topic in greater detail and enhance our findings’ robustness, we included multiple cases of migrant start-up business models focusing on local and international markets or combinations thereof (Eisenhardt & Graebner, 2007; Yin, 2018). In addition to the business

model, we focused on the entrepreneur and his or her international or transnational interactions. Although case study research does not allow for empirical generalisation, our findings may be considered suggestions for future research in other contexts and sectors. That is what Yin (2018: 79) referred to as “analytical generalization” as opposed to “statistical generalization” in quantitative studies.

The explorative qualitative research design enabled us to focus on entrepreneurs’ perceptions and meaning to explore and understand the role of embeddedness in the local EE in detail (Creswell, 2009). This proceeding was particularly valuable for exploring the crises, start-ups’ behaviours and activities and the in-depth understanding of factors justifying the role of embeddedness in the local EE from a business model and personal perspective. Based on the literature review, we developed a semi-structured interview guideline which prompts the interviewees to assess their founding process in the Berlin ecosystem. We interviewed entrepreneurs and asked them their specific views on the EE and about their experiences made during the COVID-19 pandemic. The interview guideline contained questions concerning individual and firm characteristics, challenges faced by the founders, networking and cooperation, motivation to start a business, and specifics of Berlin as a business location with its associated infrastructures. The guidelines were tested in four pilot interviews.

### **Case Selection**

Berlin was chosen because it is known for its vibrant entrepreneurial (start-up) ecosystem. According to the Global Startup Ecosystem Report 2020 (Gauthier et al., 2021), Berlin is ranked 16 among the top 30 global ecosystems. The city has been deemed a high attractiveness for entrepreneurs from all over the world due to factors such as access to finance (VC and angel investors), its openness and networking (ibid.; Scheidgen, 2020; Baron & Harima, 2019; Hirschfeld & Gilde, 2020).

With 314 financing rounds in 2020, start-ups in Berlin recorded 42 per cent of all financing rounds counted in Germany, with a total volume of 3,059 million euros, of which 410 million euros and 84 deals went into the software and analytics sector (EY, 2021). Berlin’s start-ups are also ranked first regarding benefitting from e-commerce business financing (ibid.). As a federal state, Berlin takes the lead in the German state ranking of start-up activities, with 198 out of 10,000 employable persons, on average, starting a business between 2017 and 2019 (Metzger, 2020). In addition, the Berlin ecosystem is considered highly dynamic (Baron & Harima, 2019) and is characterised by a strong presence of migrant entrepreneurs. In 2019, 38,210 newly founded enterprises were registered, of which 47 per cent were established by persons with foreign nationalities<sup>1</sup> (Berlin-Brandenburg Statistics Office, 2021). The Migrant Founders Monitor 2021<sup>2</sup> found that North Rhine-Westphalia and Berlin (26.5 and 21.2 per cent, respectively) attracted most migrant start-up founders in Germany (Hirschfeld et al., 2021). In North Rhine-Westphalia, German-born founders with migration backgrounds characterise the ecosystem, whereas Berlin attracts people from abroad to set up a business (ibid.).

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<sup>1</sup> A foreign national is a person who does not have German citizenship. According to the Federal Statistical Office (2019) Germany, a person has a migration background if they themselves or at least one of their parents do not have German citizenship by birth.

<sup>2</sup> The report is a special evaluation of the DSM 2020 (German Startup Monitor), which contains data on 354 start-ups whose founders have a migration background. The migration background was operationalized and recorded in the DSM 2020 according to the definition of the Federal Statistical Office. 43% of the founders with migration background are born in Germany (second generation) while 57% are born elsewhere (first generation).

The present study is based on empirical data drawn from start-ups in KIBS (which information and communication technologies and consulting services are part of). The sector is especially appropriate to investigate migrant start-ups' embeddedness in the local EE for several reasons. First, by providing customised, high-value services to their clients and being a source of innovation, KIBS fulfil a cross-sectoral function and fuels economic development in the knowledge-based economy (cf. Ciriaci & Palma, 2016; Wyrwich, 2013; Mueller & Doloreux, 2009; Strambach, 2008, 2010). Second, relying on knowledge as an input factor, localised knowledge exchanges and other non-market interactions are increasingly recognised as crucial explanations for the spatial concentration of KIBS (Zieba, 2021; Herstad, 2018; Zhao et al., 2010). In this respect, geographical proximity to markets, customers and suppliers and networking are likely decisive factors in KIBS start-ups' performances (Brunow et al., 2019). Hence, translocal embedding in EE would be expected to be vital for migrant start-ups' successful business development. Third, KIBS is considered one of the most promising sectors for entrepreneurial start-up activities in modern economies (Kotsopoulos et al., 2022; Kekezi & Klaesson, 2020). Fourth, migrant founders are increasingly setting up businesses in knowledge-intensive sectors. For example, Leicht et al. (2021) report a structural shift of migrant start-up activities from trade/food and other basic services towards knowledge-intensive services for the German migrant economy.

## **Data Collection**

The primary data source was semi-structured interviews with migrant start-ups in the KIBS sector. Intending to extend TME literature, we followed a theoretical sampling strategy (Patton, 2015; Corbin & Strauss, 2008). Our study focuses on understanding, gaining insights, and developing explanations (theory) for migrant start-ups' embeddedness in the local EE in crises rather than achieving generalisability. Accordingly, and following the proceeding proposed by Eisenhardt (1989), we selected 14 cases (see Table 1).

The four authors have been involved in several research projects on migrant entrepreneurship and its translocal embeddedness in EEs in different sectors. In addition, one of the authors is a member of various venture capital networks in Berlin, inter alia the Earlybird Vision Lab, which focuses on supporting migrant entrepreneurs. These networks facilitated access to the specific target group of this study by introducing the authors to potential interviewees. Considering the objectives of this study, the authors' experiences in the field and the theoretical assumptions about TME and embeddedness in local EE, we discussed suitable cases to get answers to the research question. Following Patton (2015), this study selected information-rich cases of migrant start-ups in the KIBS while striving for a maximum variation within the sample to disclose the range of differentiation regarding the role of embeddedness, cultural backgrounds, gender, business models and personal sphere of interactions (local, international, transnational). Despite these differences, the interviewees have the following characteristics in common: Berlin as the place of business registration, KIBS as the sector and migration history.

All interview partners are first-generation migrants who either came to Berlin to study before founding their business or with the initial aim of establishing a business in Berlin. The sample includes 11 male (79%) and three female entrepreneurs (21%) from the KIBS sector, the female entrepreneurs being slightly more than the average gender distribution in the tech ecosystem (Gauthier et al., 2021). To mitigate the risk of a potential data collection bias, the following selection criteria were applied: First, five migrant entrepreneurs in an early stage of

the start-up process ( $\leq 1$  year in business) and three in the formation phase were selected to analyse how they sense and utilise the local EE for value creation. Five businesses that have been in the market for 1-3 years, and two that have been on the market for more than three years, were chosen to capture changes in the meaning of the embeddedness in the local EE over time (see Table 1). Second, to advance understanding of whether and how the business model was adopted in response to the crisis, among the 14 cases, five cases with an international, five with local and four with a mixed business model were selected. In its broadest sense, a business model determines how a firm creates and captures value (Teece & Linden, 2017; Zott & Amit, 2010). Here the focus is on the markets the start-ups primarily serve. Concerning the personal sphere of action, four entrepreneurs act transnationally, and ten locally. Finally, entrepreneurs from countries of origin with different cultures and economic standards and varying degrees of previous start-up experience were selected to reflect the heterogeneity of migrant entrepreneurs.

**Table 1.** Sample composition

ID	Age of Founder	Sex	Country of origin	Age of start-up	Industry	Personal sphere of action	Focus of business model		
							Internat.	Local	Mixed
I1	36	M	Russia	1-3 years	Real Estate Data Analytics	Local		•	
I2	32	F	Colombia	$\leq 1$ year	E-commerce/Trade	Local	•		
I3	37	M	Argentina	> 3 years	Digital Meeting Platform	Local		•	
I4	35	M	Denmark	1-3 years	Insurance Technology	Transnational		•	
I5	43	M	Sweden	$\leq 1$ year	E-Bike Sharing	Local	•		
I6	40	M	Ireland	$\leq 1$ year	Education Technology	Local	•		
I7	32	M	Azerbaijan	$\leq 1$ year	Business Intelligence	Local			•
I8	28	F	Greece	$\leq 1$ year	HR Tech	Local			•
I9	33	M	Bulgaria	$\leq 1$ year	SaaS Legal Tech	Transnational	•		
I10	33	M	India	in formation	Media & News App	Local			•
I11	23	M	India	in formation	E-commerce	Transnational		•	
I12	28	M	Pakistan	in formation	HR Tech	Transnational	•		
I13	39	F	USA	> 3 years	Event Platform	Local			•
I14	41	M	South Africa	1-3 years	Insurance Technology	Local		•	

The interviews were remotely conducted via Zoom<sup>3</sup> (Gray et al., 2020; Archibald et al., 2019) in English between November 2020 and February 2021 and lasted 45 to 60 minutes. All interviews were recorded, transcribed verbatim to circumvent misinterpretations and anonymised.

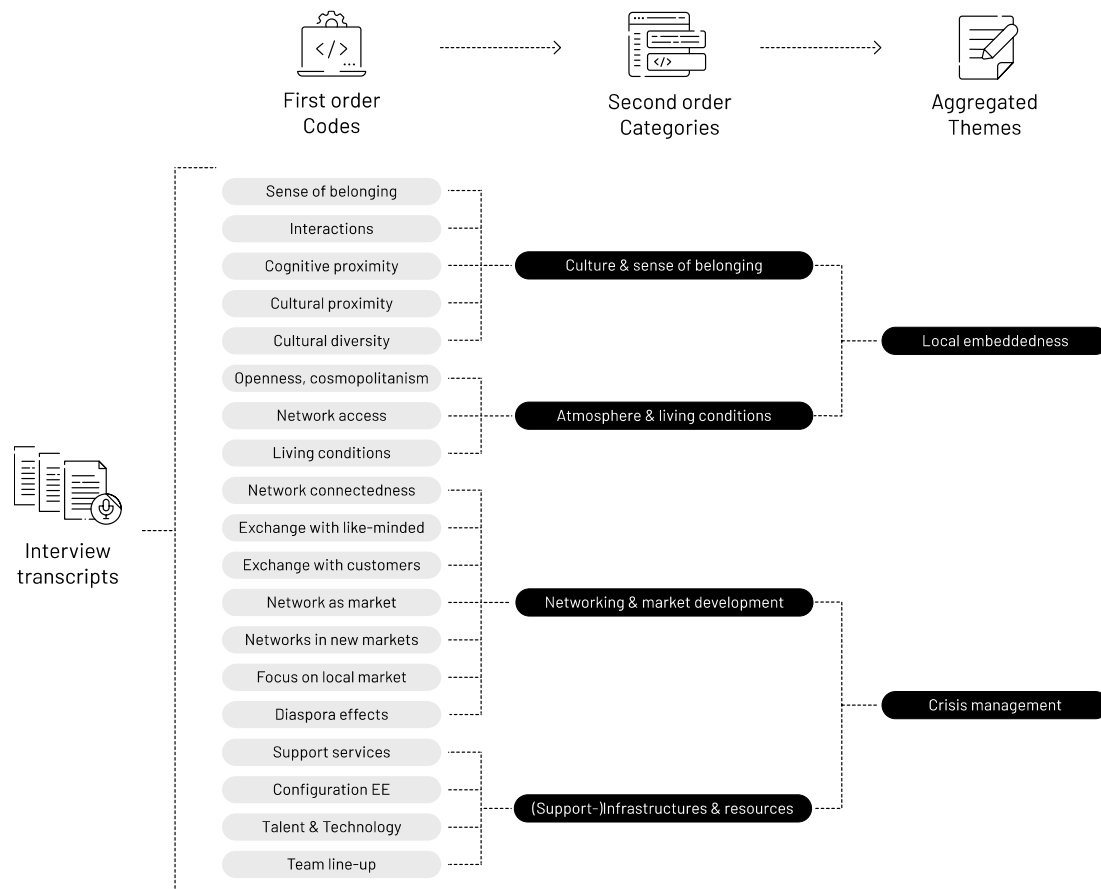
<sup>3</sup> Due to the Corona-related contact restrictions, it was not possible to conduct the interviews face to face.

## **Data analysis**

The transcribed interviews were coded with the help of the qualitative research analysis software package (MAXQDA). An abductive approach in which deductive and inductive coding are combined was followed to deduce themes (Dubois & Gadde, 2002, 2014). In so doing, we engaged in an iterative process of navigating between empirical data, research literature, and emergent theory to derive context-specific explanations. Hence, it allowed us to align our analysis with theoretical insights and to learn throughout the analytical process.

Following an inductive logic, initially, all transcripts were coded openly line-by-line (Kuckartz, 2019; Gioia et al., 2012) using MAXQDA to gain insight into entrepreneurs' motivation to start up, their business model, development stage, perception of the ecosystem, how the COVID-19 pandemic affected their start-up and business activities and how their coping strategies, which resulted in 352 quotes. This process was supplemented by reviewing secondary data (see section 3.1) to understand particularities and contextualise the interview data. Through extensive discussions and consultations among the authors, these quotes were reflected against the findings from the literature review (section 2) and summarised in 19 theory-deduced first-order codes (see Figure 1). Moving back to our data, these codes were used to code the interview transcripts deductively, followed by a cross-case comparison to discern patterns across cases (Eisenhardt, 1989; Yin, 2018; Burn, 2010). This led to identifying four second-order themes related to the study's conceptual framework: (i) culture and sense of belonging, (ii) atmosphere and living conditions, (iii) networking and market development, and (iv) support infrastructure and resources which characterise migrant entrepreneurs embedded in the local EE and their coping strategies in response to the crisis. Furthermore, assigning the first-order codes to the derived themes has yielded valuable insights into how migrant entrepreneurs have perceived and capitalised on the advantages of local embeddedness (e.g. interactions, cognitive and cultural proximity) and harnessed them for crisis management and beyond to develop their business. This analysis identified local embeddedness and crisis management as aggregated, though interrelated, themes (see Figure 1).

**Figure 1. Methodological procedure**



## Why Embeddedness Matters: Findings from Berlin’s Migrant Start-up Scene

In the following, the core aspects of the 14 interviews are summarised as they provide meaningful insights concerning the question of whether the socio-spatial embeddedness of migrant start-ups in the local EE in Berlin plays a role in response to the challenges posed by the COVID-19 pandemic and its effects on business activities.

### *Networking & market development*

For the migrant start-ups in Berlin, the local EE is essential for building and maintaining networks. Most interviewees reported that the connectedness within the local network is a core advantage for their business activities. Connectedness allows like-minded entrepreneurs in the same sector or across sectors to come together and exchange information. One interviewee highlighted explicitly: *“It doesn’t really matter where you work but where your network is. For us, it is mainly in Berlin, where everyone knows each other; we are like a big family”* (I18). Another interviewee claimed regarding the local EE that *“(…) through the start-up scene here in Berlin, I got to know investors and other founders, and yes, I think it helped to meet people and start interacting”* (I8). The dense local network structure, as 12 entrepreneurs experienced, offers fast exchanges with potential customers for the proposed services and products. One interviewee said: *“I think the network in Berlin is very vivid and interlinked. In our network, we recommend each other to our customers when they need something we can’t offer”* (I2).

This seems to be neither dependent on the development stage of the start-up nor on the respective business model (see Table 2). Comparing Berlin to several Scandinavian countries, two interviewees observed slower growth than in Berlin, plus Scandinavian domestic markets are smaller than Germany.

Having established their businesses shortly before or during the COVID-19 crisis or being in the formation phase, nine interviewees claimed they made little use of their home country networks but had established, or strive to establish networks, in the host market. This also applied to two companies that are already more developed. One interviewee referred to existing contacts and emphasised that “[w]hen you come to Berlin or even when you are about to move to Berlin, you are somehow already settled if you know some people. Thus, the pandemic did not hit us hard, as we came here and had friends and business directly from the start” (I3). Another claimed: “When the crisis hit the fan, I could rely on my network here (Berlin) and the typical German approach to solve problems” (I3). Moreover, one interviewee highlighted that knowing each other in person was beneficial in the crisis: “The network itself was not affected by the pandemic. We could not meet in person, but we have been digital beforehand. We just switched to fully online for the time being” (I5).

Three interviewees also stated that starting from the local network, they would expand their business activities across Germany or Europe. Eight interviewees posited such a network as a significant internal market within the Berlin EE. Three of the five entrepreneurs with local business models entrepreneurs claimed that Berlin’s network and market size offers sufficient potential for their business models, allowing them to concentrate their business activities solely on Berlin’s internal market. In addition, the local embeddedness is viewed as crucial when it comes to diaspora effects and meeting people of one’s own ethnicity and cultural background – or as put by one interviewee: “It was important that we could connect to other people from Colombia, and Berlin has quite a scene for Latin-Americans. It feels good for the simple reason that we approach life and business differently” (I2). Hence, cultural proximity emerges as an essential factor driving local embeddedness.

Our interviews reveal that when confronted with the crisis, some entrepreneurs paused and reflected on their business models; as one interviewee posited, “I do not know if I want to run the business as I did before. I was all over the places, but concentrating instead of crazy expanding might be the more sustainable way of doing business” (I13). Start-ups also seem to have used the crisis for internal reassessment. “Our strategy was not to react ad hoc but to first sit back and look at what the value of our company is, or what makes us special as a company” (I1). Regarding his business activities, another interviewee emphasised that “[t]he pandemic has brought it to the surface that markets are very different and that what we have learned in business school as the thread in the SWOT matrix is something you can neither anticipate nor change. I will choose my future business scope and area wisely after this experience” (I14).

### **Culture & Sense of Belonging**

Irrespective of their development and business model stage, all 14 entrepreneurs feel a strong sense of belonging to Berlin’s EE, not least due to trusting interactions and relationships resulting from geographical proximity (see Table 2). One interviewee described this feeling of belonging as follows: “For me, I settled during the pandemic. I will stay here and further grow up (laughs). I think everyone experienced the beauty of your Kiez and the local market presence” (I7). This feeling remains unbroken, even if the interviewees, their founding partner(s) or some of their employees are temporarily (due to the COVID-19 crisis) or



permanently not located in Berlin. In this vein, I11 explained: *“You can work from everywhere. Be it from the office in Kreuzberg or the Arctic. You are somehow always connected to your headquarters’ location and spirit.”* Working from home in the country of origin or holiday destinations is perceived as common practice, as is the transnationality of the teams. I5 elaborates: *“From my experience, it does not matter where the people work. It matters how they work. And this is nowadays even less related to than ever before.”* Two entrepreneurs consider themselves digital nomads, running their businesses in Berlin remotely without losing their employees’ loyalty and the strong network relations in Berlin. I4 summarised: *“We are incorporated in Berlin, no one is sitting there, but everyone shares stories about their last visit and where we all should go if we ever meet. In the current situation, this helped us a lot.”*

Despite their distinct cultural backgrounds, five interviewees – all involved in the formation or early start-up phases – perceived the interactions among the entrepreneurs with different cultural backgrounds as fairly harmonised and homogeneous. One of the respondents even stated that among KIBS entrepreneurs in the Berlin start-up scene, *“[t]he way we deal with each other creates a new and specific subculture”* (I3), which seven interviewees refer to as a specific local EE. However, four entrepreneurs in the early development stage and one mature start-up felt the ecosystem is accessible and understandable only to the community members.

Here, cognitive proximity resulting from comparable educational biographies (although distinct in their nuances) and English as a working language accelerates the feeling of belonging. Irrespective of the specific business model, 11 interviewees claim English as the common working language. For five of these interviewees, this is a characteristic of Berlin as a business location. I10 posits: *„I guess in no other German city or maybe even in mainland Europe, there is such an international scene as in Berlin. This [the international scene] goes hand-in-hand with English as the only language being spoken”* (text in brackets added by authors). Considering language skills, nine interviewees only speak German to a limited extent: Five admitted that speaking German is beneficial. At the same time, four do not see any necessity to use German. These findings essentially correspond to the Migrant Founders Monitor 2021, which indicates that English is the working language for 54 per cent of first-generation migrant founders (Hirschfeld et al., 2021). Five entrepreneurs describe the diverse cultural backgrounds of the start-ups as making the scene even more international and transnational in terms of business creation while feeling emotionally and socially anchored in the local EE. I7 contemplates: *“The pre-dominant fact that everyone has a different background not only creates excitement, but it also gives you a common ground in being somewhat different”*. In this vein, nine interviewees describe the innovative potential of Berlin’s EE as a mix of diversity resulting from different cultural backgrounds and interlinkage with ‘German virtues’ and the ‘Berlin specifics’. I9 elaborated this in the following: *“In some way, we are working according to certain German rules, or a specific mindset, but I also think that it is a very light version here [in Berlin], not to compare to a German ‘Mittelstand’, but rather fuelled with or inspired by all our different approaches to life”*. One interviewee even associated the interplay of these factors with the potential for disruptive innovations and explicated that *“[i]f you are putting all these people and ideas together you create an atmosphere for thinking big and unconventional. No one blames you for being too controversial; everyone strives for disruption. Innovation is just not enough (laughs)”* (I2).

### **Support Infrastructures, Resources & Bureaucracy**

Concerning local infrastructures, five interviewees emphasised the tailored local support services, including state and emergency aid during the COVID-19 crisis. Although not specific to Berlin, this aspect is also stressed in the Global Startup Ecosystem Report 2020, which refers to COVID-19 policy and to the German ‘Kurzarbeit’ wage subsidy scheme, which “[...] allows businesses to prevent layoffs in times of economic downturn” (Gauthier et al., 2021: 158). Three interviewees emphasised the openness and transparency of the support infrastructure and the help provided by infrastructure providers, including universities, venture capitalists and public authorities, as an added value. The importance of local infrastructure, especially in the COVID-19 pandemic, is summarised by one interviewee as follows: *“I thought that it doesn’t matter where to live and start my business. Now I know that political stability and a functioning health system are not only nice things to have but inevitable”* (I6). Also, the access to public support schemes such as the ‘Bridging aid’ (‘Überbrückungshilfe’), ‘Immediate Coronavirus Aid’ (‘Corona-Soforthilfe’), ‘Assistant Package’ for small and micro enterprises, including start-ups or the ‘Short-time work allowance’ (‘Kurzarbeitergeld’) were rated positive, as one interviewee put it: *“Kurzarbeit allowed us to circumvent layoffs in the crisis”* (I3). Accessing the local support system seems not to have been a major concern. One interviewee, for example, explained that *“the [Berlin] Senate had a helpline which worked and most of the official work was done by our tax advisors anyhow, they know how to deal with all that matters”* (I5; text in brackets added by the authors). Another claimed: *“We were surprised how fast the entire start-up community, including local support services, switched to online offerings. We were able to deal with all our bureaucratic matters digitally. It was not always seamless, but it worked”* (I1).

In addition, most of the interviewed entrepreneurs described the Berlin EE as being rich in talent and tech, and one interviewee highlighted these factors: *“We wanted to have a physical office and chose Berlin because it has so many clients and other entrepreneurs. It is also attractive for talents. That’s good if you want to grow and employ more people. Then Berlin is a place where you can recruit better”* (I8). For 13 respondents, the most important factors for choosing Berlin as the place to start up seem to be the sizeable local network (see section 4.1) in combination with the market size and the market dynamic. One entrepreneur states: *“Everything digital in Germany or even Europe happens in Berlin; it turns very fast [...]”* A further advantage of Berlin as a business location is said to be its geographical location. Also, the connection to Eastern Europe brings a broad range of choices for potential human resources, as two respondents argued. *“Attracting tech talent from just around the corner is a plus. I know many people travelling home on weekends in a few hours by train”* (I12).

### **Atmosphere & Living Conditions**

Being cosmopolitan, liberal, supportive, open, ‘unusual and transcultural’, most entrepreneurs describe Berlin as a cosmopolitan hotspot for business creation. As one interviewee puts it: *“You can be as you are, and even if you are the weirdest person on earth, in Berlin, you can still run your own thing, get funded and respected”* (I7). In comparison, the interviewees narrated that Munich is too conservative and is the location of too many industrial giants. However, 11 interviewees assessed the network structure and the logistics far better in Berlin than in other locations in Germany and Europe. I6 stated: *“I think once the airport opens, Berlin will be one of the best-centred spots in the world. Not everything is shiny, it has its patina, but the high frequencies get you easily from A to B.”* Lower living and rental costs compared to

other cities and countries (e.g. Scandinavia) were reported to be advantageous by five entrepreneurs. Table 2 exemplifies the distribution of the findings in the four categories.

**Table 2.** Overview of selected findings

Findings	Age of start-up				Focus of business model		
	in for- mation	≤ 1 year	1-3 years	> 3 years	inter- national	Local	mixed
<b>Networking &amp; market development</b>							
Connectedness with the local network as a core advantage (12)	I10, I11, I12	I2, I5, I6, I7, I8	I1, I4, I14	I3	I2, I5, I6, I9, I12	I1, I3, I4, I11, I14	I7, I8
Exchange of information among like-minded (5)		I2, I6	I9	I3, I13	I2, I6, I9	I3	I13
Network allows fast exchange with customers (12)	I10, I11, I12	I2, I5, I7, I8	I1, I4, I14	I3, I13	I2, I5, I12	I1, I3, I4, I11, I14	I7, I8, I10, I13
Networks in new markets are given priority over networks in the country of origin (9)	I10, I12	I2, I5, I6, I7, I9	I4	I13	I2, I5, I6, I9, I12	I4	I7, I10, I13
Network as large internal market (8)	I10, I11	I7	I1, I4, I14	I3, I13		I1, I3, I4, I11, I14	I7, I10, I13
Concentration of business activities solely on Berlin's internal market (3)	I11		I4, I14			I4, I11, I14	
Diaspora effects (7)	I11	I2, I6, I8	I1	I3, I13	I2, I6	I1, I3, I11	I8, I13
<b>Culture &amp; sense of belonging</b>							
Strong sense of belonging (14)	I10, I11, I12	I2, I5, I6, I7, I8, I9	I1, I4, I14	I3, I13	I2, I5, I6, I9, I12	I1, I3, I4, I11, I14	I7, I8, I10, I13
Harmonised and homogenous interactions (5)	I10, I11	I2, I5, I7			I2, I5	I11	I7, I10
Ecosystem only accessible and understandable for members of the community (5)	I11	I2, I5, I9		I3	I2, I5, I9	I3, I11	
Innovation potential resulting from diversity in cultures combined with German virtues and Berlin specifics (9)	I10, I11, I12	I7, I8	I1, I4, I14	I3	I12	I1, I3, I4, I11, I14	I7, I8, I10
<b>(Support)Infrastructures, resources &amp; bureaucracy</b>							
Open and transparent configuration of the ecosystem and support infrastructures (3)	I11			I3, I13		I3, I11	I13
Talent and tech availability (13)	I10, I11, I12	I2, I5, I6, I7, I8, I9	I1, I4, I14	I13	I2, I5, I6, I9, I12	I1, I4, I11, I14	I7, I8, I10, I13
Easier team line-up (13)	I10, I11, I12	I2, I5, I6, I7, I8, I9	I1, I4, I14	I13	I2, I5, I6, I9, I12	I1, I4, I11, I14	I7, I8, I10, I13
<b>Atmosphere &amp; living conditions</b>							
Positive atmosphere, cosmopolitanism, openness, liberality (11)	I10, I11, I12	I5, I6, I7, I8	I1, I4	I3, I13	I5, I6, I12	I1, I3, I4, I11	I7, I8, I10, I13
Better access to network structures and logistics (11)	I10, I11	I2, I6, I7, I8,	I1, I4, I14	I3, I13	I2, I6	I1, I3, I4, I11, I14	I7, I8, I10, I13

## **Discussion – The Role of Local Embeddedness in Early Development Stages**

With the COVID-19 pandemic, society at large has changed, including economies and entrepreneurial activities. The exogenous shock forced entrepreneurs to adapt to the new situation and sense new opportunities to ensure the performance and functioning of their businesses.

Against this backdrop, the present study explored in more depth what role the socio-spatial embeddedness of transnational migrant start-ups from the KIBS sector in the local EE plays in times of crisis. Based on our research findings, we argue that in the COVID-19 crisis, cultural and cognitive proximity matters for migrant start-ups in Berlin, even though their business models were initially oriented towards international activities or acted in transnational spheres. The interviews revealed that for migrant start-ups from the KIBS sector, the embeddedness in the Berlin EE played a vital role in doing business. Although such embeddedness is always vital in business formation and early business stages, the interview results show that during the COVID-19 pandemic, it is even more relevant. Following Quan et al. (2019), our findings illustrate that dense interactions with other entrepreneurs and network relationships made it possible to maintain and gain access to customers, exploit new markets, and, in some cases, adapt future business scopes in situations where “[k]ey partners, customers, and investors are themselves fully engaged in responding to the crisis, and the uncertainty as to how the crisis will develop discourages any experimentation” (Kuckertz et al., 2020: 3). In line with earlier findings (Terstriep & Lüthje, 2018; David, 2015; Bathelt & Glückler 2003), the sense of belonging, cognitive and cultural proximity accelerated these interactions, including inter-migrant knowledge exchange (Lassalle & Johnston, 2018).

As in the study by Spigel and Ramli (2020), our findings indicate that migrant start-ups quickly switched their entire business from analogue to remote to secure their activities during the crisis. Remote actions were reported to help ensure smooth entrepreneurial activities and provide new opportunity structures. However, this has not made the interviewees’ embeddedness in the local EE obsolete. On the contrary, migrant start-ups actively connected to and utilised Berlin’s EE to share knowledge, interconnect with like-minded actors, develop their markets and make introductions to investors with the aim of value generation in the COVID-19 pandemic. In this respect, our results correspond with those of Kuckertz et al. (2020), who find that start-ups ‘rely heavily on the support of their EE to manage the crisis’.

Concepts such as transnational mixed embeddedness and/or multifocality (Solano, 2022; Bagwell, 2018) suggest that migrant entrepreneurs use the networks in their country of origin and residence. However, in our case, migrant start-ups’ reliance on home country networks was mostly marginal. We follow Korsgaard et al. (2020: 698), who posit that the pandemic has made the importance of space “visible in an unprecedented manner with the disruption of value chains, freeze on the mobility of labour and, to a lesser extent, goods and services and even social distancing measures”. Further, they state that “[...] local entrepreneurs and communities have come together in mutual support” (ibid.). This has become evident in our findings concerning access to public support impeded measures such as ‘Kurzarbeitsgeld’ and in the claimed intensive knowledge exchanges within the Berlin EE. In fact, and corresponding to Knight (2012), the interviews suggest a collective crisis management of the entrepreneurs based on a sense of belonging, shared memories and narratives.

Although the long-term effects of the COVID-19 pandemic on transnational migrant start-ups will remain unclear for some time (Korsgaard et al., 2020), regarding enhancing theory, we propose that:

***Proposition 1: The role of embeddedness in local EEs is subject to migrant entrepreneurs' business development stage.***

Start-up activities and entrepreneurship are not isolated individual endeavours; instead, they are intricately intertwined with the socio-spatial, cultural, and economic contexts in which they occur (David & Schäfer, 2022; Davidsson & Honig, 2003; Jack & Anderson, 2002). Polanyi's (2001) concept of embeddedness was initially established in 1944 and further taken up by Granovetter (1985) and further conceptualised in the field of migrant entrepreneurship (mixed embeddedness) (Kloosterman & Rath, 2001) based on the idea that each business must be considered in its environment and not detached from it. The role of embeddedness in the start-up phase of businesses refers to the extent to which new ventures are connected to and integrated within their surroundings (Granovetter, 2005). Likewise, this applies to migrant start-ups. Embeddedness can encompass various dimensions, including social networks, relationships with customers, suppliers, and other stakeholders, institutional frameworks, and cultural norms. Especially for migrant start-ups, the initial business phase might be critical due to a lack of financial and social capital (Schäfer, 2021). A high level of embeddedness can counteract this.

***Proposition 2: For migrant start-ups, embeddedness in the local EE is necessary to successfully drive their business development.***

The business development stages refer to the various phases a business goes through, from inception to growth and maturity (Churchill & Lewis, 1983). These stages typically involve different challenges, opportunities, and strategies. Understanding the role of embeddedness at different stages of business development can shed light on how social networks, local contexts, and institutional factors influence the entrepreneurial journey (Aldrich & Zimmer, 1986). Though applying to all sectors, this is specifically the case for knowledge-intensive (Elfring & Hulsink, 2003), which rely on massive knowledge exchange. For migrant start-ups, whose level of embeddedness compared to native start-ups might be lower, especially in times of crisis, a like-minded community of supporters confronted with similar challenges can help find solutions faster. Such exchange should be based on trust, reciprocity and similar entrepreneurial culture. Departing from here, the last proposition is:

***Proposition 3: In unprecedented situations such as the COVID-19 pandemic, the sense of belonging, access to knowledge exchange and networking with like-minded individuals facilitated by cultural and cognitive proximity entails joint crisis management.***

In literature, various aspects such as the importance of alliances and partnerships, the impact of network ties (Granovetter, 1973) on organisational performance, and the role of networks in resource acquisition and knowledge sharing are discussed (Gulati & Higgins, 2003), especially in times of crisis when trust issues and out of the box thinking, but also the sense of belonging is of vital importance. That is, due to the influence of inter-organisational relationships, embeddedness, social capital, and network structures on businesses' ability to respond to and recover from crises.

## **Conclusion**

Contemporary literature on migrant entrepreneurship has predominantly emphasised the internationalisation and transnationalities of migrant businesses, highlighting their embeddedness within multiple entrepreneurial ecosystems (Sandoz et al., 2022; Vertovec, 2009). This discussion often refers to multifocality in opportunity structures (Solano et al., 2022). Our research aligns with this body of literature; however, it extends beyond it by emphasising the crucial role of local embeddedness, particularly during the start-up phase. We argue that local embeddedness holds significance even for businesses founded and operated by migrants who lead transnational lives or have established international and transnational business models. Focusing on the COVID-19 pandemic, we add to the literature by emphasising that in wicked situations characterised by high uncertainty, local embeddedness built on trust, reciprocity, and knowledge exchange provides a sense of security through “us-ness” (Haslam et al., 2020: 189) and ‘belonging’. In this vein, social network theory (e.g. Serrat, 2017; Granovetter, 1973) describes how liked-minded businesses can access valuable information, resources, and further support networks that can be instrumental in navigating the challenges of a crisis. Moreover, and in line with Kuckertz et al. (2022), our study contributes to an improved understanding of migrant entrepreneurship at various developmental stages, using the example of the start-up phase with a particular emphasis on the KIBS sector. Consequently, our research addresses the current interest in high-tech migrant businesses and the significance of local EEs.

Finally, though our findings and conclusions have relevance to theoretical propositions and can be considered generalisable to the sample, they do not encompass the entire population of migrant entrepreneurs. Nevertheless, they offer valuable insights that can be applied and interpreted across different contexts, with implications for theory, management, and policy.

## ***Implications for Theory***

A substantial body of literature on migrant entrepreneurship has highlighted the importance of transnational and/or mixed embeddedness of migrant entrepreneurs (Drori et al., 2021; Sandoz et al., 2022; Solano, 2016; Sequeira, 2009). However, these studies often place unequal emphasis on the dual embeddedness of entrepreneurs in their country of origin and country of residence, with a disproportionate focus on the former aspect. In this study, we sought to address this imbalance by examining the role of the socio-spatial embeddedness of migrant start-ups in the KIBS sector within the local EE of Berlin during times of crisis. By exploring their interactions within the EE, their sense of belonging, and their cultural and cognitive proximity, we argue that the local embeddedness of migrant entrepreneurs is a vital force for both business development and crisis management. Also, our findings suggest a shift from relying solely on transnational networks to forming local networks and relationships within the host country. This finding challenges the notion that transnational networks are the sole determinant of entrepreneurial success. Consequently, and in line with Kuckertz and Brändle (2022), we advocate for greater recognition of the significance of accessing local resources, including market knowledge, social relationships, and institutional support within the host country, as fundamental factors for business development and crisis management.

Referring to social identity theory (Haslam et al., 2020; Hogg, 2016), it seems indispensable for scholars to pay closer attention to the influence of sociocultural factors on the local embeddedness of migrant entrepreneurs. Factors such as cultural adaptation, social integration, and a thorough understanding of local norms and values emerge as essential

components for achieving business success and resilience, particularly during times of crisis. Thus, a nuanced comprehension of the local environment and its impact on business development and crisis management is necessary. Such reasoning appears conclusive, as social network theory scholars (e.g. Serrat, 2017; Granovetter, 1973) posited earlier how liked-minded businesses can access valuable information, resources, and further support networks that can be instrumental in navigating the challenges of a crisis.

Moreover, our findings highlight the importance of incorporating multi-level analyses that consider the interplay between individual, organisational, and environmental factors influencing the local embeddedness of migrant entrepreneurs. Such an approach would enable a better understanding of how macro-level structures and policies influence micro-level actions and interactions.

In summary, by recognising the significance of local embeddedness for the start-up activities, business development, and crisis management of migrant entrepreneurs, we challenge the predominant focus on transnational embeddedness in the (migrant) entrepreneurial theory. This ‘shift’ leads to a more comprehensive and contextually relevant understanding of migrant entrepreneurship, emphasising the importance of the local context in shaping entrepreneurial outcomes.

### ***Managerial Implication***

From a managerial standpoint, recognising the significant role of a ‘sense of belonging’ and collective group identity in start-up activities and business development is vital. Intermediaries such as development and start-up agencies, incubators, and hubs are strongly encouraged to facilitate place identity (Butzin & Terstriep, 2022) and intergroup relations. These efforts should include, but not be limited to, creating opportunities for mutual exchange and learning, leveraging cultural diversity to stimulate new ideas, and showcasing successful migrant start-ups as role models. Hence, intermediaries should support an environment where entrepreneurs can establish a strong sense of belonging and benefit from collective experiences and knowledge sharing.

During a crisis, it is essential for businesses in EEs to engage in frequent interactions. This is particularly crucial for start-ups and those with a migrant background, as they rely on open communication, empathy, and a supportive work environment, whether in person or remotely. In this regard, facilitating knowledge sharing within the EE becomes paramount to leverage collective expertise and insights. There are numerous opportunities for (migrant) start-ups to connect with like-minded individuals within and outside the EE. Such opportunities can, for example, arise through industry events, professional networking platforms, and internal mentorship programs. Also, strengthening employee engagement is vital and can be achieved through various means, including team-building activities, recognition programs, and promoting a positive work culture. In addition, businesses should establish platforms or mechanisms for employees to share their knowledge and experiences internally and within the EE, utilising knowledge repositories, online discussion forums, and communities of practice.

### ***Policy Implications***

Previous research has evidenced that promoting people-centred place-making practices as part of regional (economic) policies can positively impact residents’ place attachment, potentially strengthening social identity (Butzin & Terstriep, 2022; Pradel-Miguel, 2017). Our findings

align with this perspective, particularly in the context of migrant start-ups. Therefore, it is crucial for policies to transcend a sole focus on local economic development and explicitly incorporate a people-centred approach (here: the migrant entrepreneur). By prioritising societal openness and fostering a sense of belonging among migrant entrepreneurs, these policies can contribute to cultivating stronger place attachment and ultimately enhance overall prosperity within a region.

In light of these findings, policymakers are encouraged to facilitate the development of collaborative EEs where businesses at all stages, academia, and government agencies can work together. Such collaborative environments can empower the EE and the individual entrepreneur, especially regarding self-help during crises or other wicked situations. As a result, future support schemes should emphasise the endeavours of migrant entrepreneurs and start-ups to access the EE and provide support for start-ups. By nurturing inclusive and supportive environments, policymakers can foster the growth and success of migrant entrepreneurs, leading to increased economic and social benefits for the entire location.

### ***Limitations and Future Research***

As with all research, our findings come with limitations that could stimulate future research. *First*, our study was conducted with a limited number of entrepreneurs representing a specific local context, sector (KIBS), and business development stages (start-up entrepreneurs). Hence, to deepen our understanding, further studies on the role of embeddedness in local EEs of migrant start-ups in general and in times of crisis are needed. These could be more context-specific, addressing the micro (individual), meso (firm-related) and macro (ecosystem) levels. *Second*, future research focusing on sectors other than KIBS would allow for comparative analyses and help identify variations in the sector-specific meaning of local and translocal embeddedness in times of crisis. *Finally*, in-depth research on international and transnational migrant start-ups and their role in EEs should focus even more closely on future spatial dimensions, particularly those regarding the ‘primacy of place’.

Being in flux, just as entrepreneurship in general, the definition of migrant entrepreneurship refers to a multifaceted phenomenon markedly shaped by individual characteristics of the entrepreneur, business characteristics such as sector, business development stage and business models, and EE characteristics, including support infrastructures and the broader political and entrepreneurial contexts. Against this background, it seems worth considering in future research under what circumstances the emphasis on dual embeddedness by translocality in migrant entrepreneurship literature provides the ideal opportunity structures to develop a business as a migrant start-up successfully.

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