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Localising informal practices in transnational entrepreneurship

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Abstract

In recent academic literature, transnational migrant entrepreneurs tend to be represented as active agents capable of mobilising resources situated in different countries to develop new businesses. Mobility, however, is an unequally distributed resource, and restrictive migration regimes limit the possibilities of individuals to become entrepreneurs. This article focuses on the role of informal practices in the business strategies of migrants who develop their activities across national borders. Based on ethnographic research in Barcelona, Spain, it argues that, in a context of unequal access to formal resources, resorting to informality is crucial for many entrepreneurs as it enables them to expand their options for social mobility and achieve personal goals that would otherwise remain unreachable. At the same time, the article proposes a critical perspective on the notions of informality and entrepreneurship. It highlights that these concepts rely on context-dependent norms set by certain social groups and challenged by others, which influence who can become an entrepreneur in specific environments. While certain categories of migrants are favorably positioned with regard to these norms, others are hindered by them and therefore are forced to engage in alternative entrepreneurial activities. How this is achieved, and the costs involved depend on the entrepreneur's capacity to mobilize economic, cultural, social, and moral resources as well as on the perception of their practices as more or less legitimate or socially acceptable.

Introduction

The entrepreneurial activities of migrants in a context of globalization and increasing transnational connections are becoming a major topic in the social sciences (Zapata-Barrero & Rezaei, 2019). In recent academic literature, transnational migrant entrepreneurs tend to be represented as active agents capable of mobilizing resources situated in different countries to develop new businesses (Drori et al., 2009; Honig, 2019; Portes et al., 2002; Saxenian, 2007). This view, however, is nuanced by an increasing number of studies that highlight the heterogeneity of characteristics among transnational entrepreneurs, as well as the importance of local contexts and policies for enabling or disabling the business-making practices of different social groups (Portes & Martinez, 2019; Solano, 2019; Wahlbeck, 2018; Zani, 2018).

This article adds to the discussion by focusing on the role of informal practices in the transnational entrepreneurial activities of different groups of migrants based in Barcelona, Spain. I will argue that, in a context of unequal access to formal resources, resorting to

informality is crucial for many entrepreneurs as it enables them to expand their options for social mobility and achieve personal goals that would otherwise remain unattainable. Additionally, I propose a critical perspective on the notions of informality and entrepreneurship: I will highlight that both rely on context-dependent norms set by certain social groups and challenged by others, which influence who can become an entrepreneur in specific environments.

The term "entrepreneur" lacks a unified definition in the scientific literature (Brzozowski et al., 2018; Ogbor, 2000; Ojo et al., 2013; Rosenfeld, 2013; Yeung, 2009). Many authors attempt to conceptualize it based on fixed traits and characteristics, while others – with whom I agree – adopt a more performative and processual approach according to which an entrepreneur can be anybody who creates (or attempts to create) an organization (Gartner, 1988). There is a general agreement, however, that entrepreneurs are people who discover and exploit new business opportunities, whether formal or informal (Aldrich & Cliff, 2003; Eimermann & Karlsson, 2018). Traits such as innovation, creativity, and the ability to think outside the box are usually attributed to entrepreneurs (Åkesson, 2016; Rosenfeld, 2013; Yeung, 2009). In this context, many scholars over the past 15 years have argued that migrants with transnational connections occupy a particularly privileged position for becoming entrepreneurs because their knowledge of different environments enables them to identify business niches that local people cannot see (Drori et al., 2009). Yet, this argument rarely considers that what we value as new, innovative, or creative depends on the social and cultural norms of a specific context. Innovation and newness are relative notions that implicitly suggest a positive change from a status quo perceived as normal. Hence it is difficult to speak of entrepreneurship without inferring normative values about what we consider to be worth consideration (Ogbor, 2000). In practice, many authors studying the specific business advantages of transnational entrepreneurs focus their case studies on the information and technology sector, thus ignoring other less socially valued fields of activity (e.g. Brzozowski et al., 2017; Pruthi et al., 2018; Zhou & Hsu, 2011; Zolin & Schlosser, 2013).

Interestingly, the notion of informality entails similar issues. One definition of "informality" implies a divergence from established forms, customs, or rules which is "characteristic of or appropriate to ordinary, casual, or familiar use" (Merriam-Webster, 2020). Likewise, the Global Encyclopaedia of Informality (Ledeneva, 2018) defines informality as "society's open secrets, unwritten rules and know-how practices." Here the idea of a norm is central because it represents the standard from which informal practices differ. This norm can be more or less institutionalized, depending on whether it refers to custom or law. Yet a norm cannot be separated from the social context in which it is defined. Hence, what is perceived as informal somewhere could theoretically be formal elsewhere and vice versa.

For these reasons, definitions of "entrepreneurship" and "informality" depend to a certain extent on the researcher's own cultural references. This observation invites reflection and self-criticism when considering these notions. It encourages us to use them not only as scientific concepts, but also as emic categories, or categories of practice (Brubaker, 2004), in order to observe how they shape our perceptions of the world and how other social actors use them. This leads me to the following research question: How does one's social position

within a specific normative environment influence the ability to create new organizations and hence become an entrepreneur?

To go one step further, I propose two ideas that form the core of my argument for this article. First, we know that norms are not neutral. They construct certain meanings and practices as legitimate and impose a social order that advantages certain social groups to the detriment of others (e.g. Bourdieu & Passeron, 1970; Butler, 1990). Therefore, resorting to informal practices can be a form of contestation of norms by people who feel disadvantaged by them (Polese, 2016). This would involve in particular marginalized groups, for instance people that current migration regimes categorize as less legitimate and worthy of rights because of origin, ethnicity/race, or class.

Second, the literature often represents entrepreneurs as agents of change (Drori et al., 2009). Through creativity and the combination of economic, social, or cultural resources, they are able to reshape the contexts in which they work (Yeung, 2009). This view of entrepreneurship involves a potential to transform the norms in place through innovation and transgression. Informality can thus be conceived as a central part of entrepreneurship, since an activity that does not yet fit within a norm is by definition informal (Polese, 2016). This transformative potential, however, can be met with resistance from local dominant groups (Cerase, 1974). The contestation of norms by entrepreneurs may be perceived as threatening in particular when it challenges local notions of social order (Becker, 1963; Horne, 2009). Consequently, entrepreneurs may encounter more or less resistance depending on the norms they challenge and the power they have within a specific social environment to transform the meaning of their informal practices into accepted forms.

Methodology and field sites

This research is inspired by the overall framework of critical ethnography, which attempts to make visible the power structures involved in the discourses and practices of everyday life through the active confrontation of perspectives (Cannella et al., 2016; Denzin, 2017). The analysis draws on ethnographic fieldwork conducted in Barcelona over three months in 2019. The study goal was to develop a deeper understanding of the lived reality of transnational entrepreneurs with migration experience. My working definition of *entrepreneurs* included all people pursuing a self-employed economic activity (formal or informal), with or without employees, which contributes to their livelihood. I was particularly interested in people with *transnational businesses*, which I defined as economic activities involving contacts in at least two different countries and moving people, goods, services, or capital across national borders (for further discussions of transnational entrepreneurship see i.a. Drori et al., 2009; Portes et al., 2002; Portes & Martinez, 2019; Tarrius, 2002; Zapata-Barrero & Rezaei, 2019). I focused on *people with migration experience*, or people who live in a country different from the one(s) in which they grew up.

I combined participant observations and informal conversations with semi-structured biographic and expert interviews (Flick, 2006). I used a theoretical sampling approach inspired by grounded theory (Glaser & Strauss, 1967) and tried to access diverse profiles in

terms of gender, nationality, legal status, age, activity sector, education level, financial situation, and stage of business development. I accessed research participants through various means, using the Internet to identify events targeting entrepreneurs (e.g. courses, workshops, social meetings), as well as personal contacts from other researchers, acquaintances, organizations working with migrants, and fortuitous encounters in Barcelona. I registered in a co-working space where I met some interviewees and experienced the resource environment provided. I also conducted a few interviews directly in shops during working hours, which enabled me to glimpse the daily routines of the people involved, yet also implied certain constraints in terms of time and privacy. My data collection process was iterative, with constant back-and-forth between empirical data, theories, and analysis. I gathered in total 22 recorded biographic interviews with transnational entrepreneurs and three expert interviews with representatives of the municipal administration and NGOs working with migrants (average length of the interviews: 80 minutes; languages: Spanish, English, French). I completed these with ethnographic field notes, photographs, and documents about the research context.

Based on my empirical data, I created a typology with three main categories of entrepreneurs (see Table 1). This allowed me to highlight the power relations evident in the construction of informality and entrepreneurship in my research context:

1) Digital nomads: Highly mobile, well-educated, and statistically "young" entrepreneurs who occupy a relatively privileged position within a city that offers a broad array of services to "creatives", "freelancers", "start-uppers", and suchlike;
2) Small business owners: Long-established small-scale entrepreneurs, mainly from non-European countries, who start a business with few economic and legal resources, relying instead on personal networks;
3) Street traders: Entrepreneurs in very precarious situations who develop business projects to sustain their livelihood, raise awareness, and secure the right to stay in Barcelona.

Table 1: List of recorded interviews

Age	Gender	Country of origin	Type of business	Education level (highest degree)	Relation to typology
34	Male	Norway	IT	Master	Digital nomad
40	Male	New Zealand	IT	Vocational training	Digital nomad
32	Female	UK	Translation	Master (in Spain)	Digital nomad
28	Male	Spain	IT, culture	Vocational training (in Spain)	Digital nomad
58	Male	US	IT, consulting	High school	Digital nomad
25	Male	UK	Property technologies	MBA	Digital nomad
42	Female	Spain, Equatorial Guinea	Online shop of feminine hygiene products	Master (in Spain)	Digital nomad

28	Female	US	Training and support for female entrepreneurs	Bachelor	Digital nomad
40	Female	Denmark	IT, project management	Master	Digital nomad
58	Male	Ivory Coast	Restaurants, construction, IT services, and online trading	High school (in France)	Between digital nomad and small business owner
29	Female	Ecuador	Graphic design	Master (in Spain)	Between digital nomad and small business owner
29	Male	Pakistan	Construction, renewable technologies	Master (in Spain)	Small business owner (family business started by father)
52	Male	Ecuador	Craft shop, hotel and restaurant, music	Primary school	Small business owner (family business)
41	Male	Pakistan	Grocery shops, hotels	MBA (not recognized in Spain)	Small business owner (family business)
47	Male	Chile	Grocery shop	High school	Small business owner
31	Female	Venezuela	Jewelry shop	Master (not recognized in Spain)	Small business owner
52	Female	Iran	Clothing shop	High school (in Spain)	Small business owner
52	Male	Argentina	Restaurant, training and support for irregular migrants	High school	Small business owner
63	Male	Spain	NGO	-	Activist supporting precarious migrant entrepreneurs
33	Male	Senegal	Catering	Vocational training (in Spain)	Former street trader, currently small business owner and activist
26	Female	Spain, Senegal	Catering	Master (in Spain)	Spouse of former street trader, currently small business owner and activist
-	Female	Spain	NGO	Master	Activist supporting street traders
-	Male	Spain	City council (migration and integration)	Master	City authority working on projects related to street traders
48	Male	Senegal	Clothing shop, catering, and support for street traders	Bachelor (in Spain)	Activist working for a cooperative supported by the city council and owned by former street traders
35	Male	Senegal	Clothing shop and support for street traders	Primary school	Street trader trying to develop a business and social project with other street traders and activists

Context of research

Spain, and in particular Barcelona, is an interesting location in which to study the role of informal practices in transnational entrepreneurship. The country adopted its first immigration law in 1985 as a condition of joining the European Economic Area (EEA). However, the law was poorly crafted in that it did not correspond to labor market needs and the government lacked the tools to implement it (Hooper, 2019). This resulted in a strong increase in unauthorized immigrant populations, which fueled an informal economy reliant on their labor. Subsequent policy reforms attempted to curtail unauthorized immigration by expanding legal migration channels and crafting regularization programs. Except for the heavily controlled southern border, Spain's immigration regime is relatively relaxed compared to other parts of Europe. Nevertheless, the 2008 economic crisis prompted the adoption of stricter policies aiming to filter entries based on immigrants' skills and wealth (Alford et al., 2019; Hooper, 2019).

Barcelona is the second-largest Spanish city and capital of the autonomous community of Catalonia. It is a major immigrant destination and has adopted inclusive policies that actively promote intercultural urban life (Gebhardt, 2016). Today, about 18% of residents are foreigners originating mainly from the EU (Italy, France), Asia (Pakistan, China) and Latin America (Bolivia, Ecuador) (OECD, 2018). With its dynamic and diversified economy attracting foreign investors and start-ups, Barcelona is becoming a major European technological hub. However, socioeconomic polarization has been on the increase since 2007 and foreigners are over-represented among impoverished residents (OECD, 2018). Barcelona thus presents sharp contrasts between different population segments. The city's political landscape can be characterized by the absence of a strong politicization of immigration (Gebhardt, 2016), yet foreigners in irregular situations have been increasingly criminalized by mainstream media and government authorities since the 2008 economic crisis (Alford et al., 2019).

Analysis of the case studies

- Digital nomads:

According to many websites advertising economic promotion in Barcelona, "entrepreneurship is a lifestyle here" (Lindgren, 2019) – at least, for well-educated and cosmopolitan people with the legal, economic, and cultural resources to develop business projects. Co-working spaces, courses, workshops, and activities aiming to build entrepreneurial "communities" in which to find connection, information, and support are flourishing. As a young Swiss female academic I could easily join events such as "Saturday Coffee for Start-up People", "Yoga for Freelancers", "Venture Funding for Female Founders" and "How to Work Remotely and Live in Spain". The people I met at such events described Barcelona as a vibrant city offering an inexpensive, relaxed, and supportive business environment in addition to good weather, a high quality of life, and tasty Mediterranean food. The current dynamism of the start-up scene results from a combination of public and

private investments which have fostered the development of a market for entrepreneurship.

Informality – understood here as something "characteristic of or appropriate to ordinary, casual, or familiar use" (Merriam-Webster, 2020) – forms an integral part of the offer. The organizations behind these events regularly use terms such as "community" and "family" to describe the environment they aim to create. Barbecue and beer evenings in green inner courtyards, after-work parties on rooftop terraces, or meetings in fashionable open spaces are all part of a market in which informality has become a major selling argument. The users connect their motivation to participate with a search for conviviality and social bonds in a context in which self-exploitation, isolation, burnout, and the lack of labor protection are common issues (Alonso & Fernández Rodríguez, 2018; Román et al., 2019; Medina-Vicent, 2019; Foucault, 2008). They also use these spaces to generate and promote new ideas, collaborations, and projects, thus intertwining the quest for personal well-being with business in a strategic way.

Spaces that promote informal networking circulate information. They enable participants to share experiences about how to develop a business and turn existing norms to one's advantage, for instance, exchanging tips about in which country businesses should be registered in order to pay fewer taxes. Moreover, the combination of economic promotion policies and personalized services funded by the city plays an important role in motivating and enabling specific categories of entrepreneurs to settle in Barcelona. An independent IT consultant from the US (58 years old, middle-class background) described his experience with an employee of Barcelona's economic promotion agency:

He was a higher-up person in Barcelona Activa, more of a manager. And so somehow we got talking and I had the feeling that I had broken through this sort of, you know, anonymous and uniform treatment […] and once we had the connection with [name of person], I felt like we were… it was gonna work. […] so that was my happy moment, when I met [name of person] and I realized that we [him and his wife] were going to be able to get some focused, serious help in our residency process. (Barcelona, 7.8.2019)

Indeed, targeted support enabled him to quickly obtain a Spanish residency permit through a specific policy scheme for entrepreneurs.

Such informal exchanges are encouraged by various institutions from the public and private sectors. They fit the city's political willingness to foster an attractive environment for businesses and are thus generally regarded as unproblematic and positive. Although they are a drive for change in some areas (e.g. technological development, female entrepreneurship, alternative work models), they nonetheless tend to perpetuate existing privileges within current migration and economic regimes and, in this sense, do not fundamentally challenge dominant notions of social order. In fact, they are becoming so institutionalized that speaking of informality in these contexts may be a moot point.

- Small business owners:

"Digital nomads" rarely encounter major legal problems when migrating to Spain, thanks either to their EU citizenship status or other policies that favor specific categories of people (e.g. descendants of Spanish nationals, entrepreneurs with sufficient economic or cultural capital). In contrast, "small business owners" are less privileged in the context of current migration regimes because of the intersection of nationality and social background. Most interviewees in this group had experienced an irregular legal status in Spain and required strategies to overcome this situation. For some, this involved accepting exploitative working conditions in the informal economy for several years until fulfilling the conditions for regularization. Others married a legal resident, and some simply arrived in Spain at a time when regularization programs were readily available, thus encountering fewer difficulties in stabilizing their legal migration situation. Evidently, there exist many obstacles to reaching official status as an entrepreneur, either independently or as a registered company, starting with the challenge of obtaining a stable residence status.

I observed several strategies for launching and maintaining a business, which often involved relying on the informal and mostly unpaid labor of close family or friends. One small food shop owner from Chile (47 years old, middle-class background) imports Chilean products partly through acquaintances who regularly travel between Chile and Spain:

My girlfriend currently helps me, but she has a job. But she helps me a lot during the day and it's already a base. And my friends sometimes come to help me, the neighbors who I trust. Also, a friend from Venezuela. There are people who help me from time to time, but I cannot employ someone because I don't have enough yet to pay an employee. (Barcelona, 23.8.2019)

Some people directly start their company as a family business, which enables them to increase their workforce without paying employees. Others prefer to diversify their economic activities at a family level as a strategy to mitigate the risks involved in entrepreneurship. For instance, they can ensure that at least one partner has a stable job while the other invests in a riskier business. They can also organize as a collective of related people who simultaneously operate several businesses in different sectors and places. Solidarity at a community level is another resource that some interviewees were able to use. As other authors have observed, some communities are more cohesive and better organized than others at both local and transnational levels and can thus be a major resource for those who identify as belonging to them (Güell, 2016; Molina et al., 2015; Valenzuela-Garcia et al., 2017; Valenzuela-García et al., 2014).

If relying on informal ties to build a business can provide access to otherwise unavailable opportunities and foster feelings of trust, solidarity, and security, it can also put people in a vulnerable position regarding potentially exploitative relationships. This Ecuadorian graphic designer (29 years old, middle-class background) has not been able to register as an independent worker because of her legal situation, and recently married her roommate to stabilize her residency status:

I like [my husband] very much, but obviously I didn't want this marriage. But I married for my papers and everything. […] Look, now [my clients] are depositing [money] to him… It seems horrible to me, but it's because of legal stuff. Obviously, I can't call in the money for the project because I still don't have [an independent status]. Because he is Spanish, they deposit the money for my work to him, you know? It's as if he would be the one working. (Barcelona, 2.8.2019)

In all these cases, informality is a strategy for social mobility used by people embedded in normative environments which disadvantage them. Their practices do not directly challenge dominant norms but are adaptative to a system that produces unauthorized migration and informal labor (Routh, 2011). As such, they are not particularly threatening to local social groups and thus are generally either tolerated or ignored.

- Street traders:

Walking along the main tourist streets of Barcelona, one cannot miss the sight of large groups of young men, mainly from Senegal, who sell clothing, accessories, and other items directly on the ground. My interest grew when I heard about a project led by unauthorized street traders who import t-shirts from England and fabric from Senegal to create products that provide additional revenue and contribute to raising awareness about their marginalized situation.

Obtaining stable residence status is very difficult for street traders. Although many engaged in the activity before arriving in Barcelona and see it as a decent way to survive, street vending is illegal in Spain and having a police record can prevent regularization (Alford et al., 2019). Hence, the legal regime in place offers very few pathways to regularization, trapping street traders into long-term informal economic activity.

In this context, the street traders I met were critical of the norms that oppress them. For instance, when asked about the practice of selling counterfeit products, one spokesperson for the aforementioned social activism project, a Senegalese man (35 years old, humble social background) who had worked as a street trader in Spain for more than 10 years, replied:

What is legal here? The clothing of many brands that come here are being made in Turkey, in Bangladesh, in Morocco, the clothing of Zara, they exploit children. And when they enslave our people, they tell us it's an original. And us, when we want to survive, they tell us it's illegal. […] There is a very big mafia. The governments are the mafias. They cash in the VAT of all the products that enter here. The products we sell pay taxes. (Barcelona, 21.9.2019)

In answer to the critique that his business activities are illegal, this man directly questions the legitimacy of the law. He poses an ethical argument which subverts the notion that he is misbehaving and redirects responsibility towards a system presented as inherently unjust. Interestingly, this critique goes beyond the practice of selling in the street and extends to the current migration regime, which the street traders I talked to experience as racist and colonialist. The same man stated during the interview that his main dream was to defeat the

Spanish "Alien Law". Similarly, another Senegalese man (33 years old, humble social background) who had obtained a legal job and status after several years of irregularity and is now supporting the street traders' organization as an activist told me:

We always have problems when we cross borders, even with papers in order. When I take a flight from Senegal, I always worry about whether they are going to let me enter [Spain]. I'm legal, no? So, the European system has created that people have a situation in their head that is not normal, but they live it as if it were normal. (Barcelona, 2.9.2019)

The open contestation of legal and social norms generates heated debates in Barcelona and exposes street traders to violent acts from the police and certain parts of the population (Alford et al., 2019; Garcia, 2017). At the same time, their collective organization has received significant support from NGOs, activists, and some city authorities, which has given them the possibility to carry on activities such as a successful crowdfunding campaign and the launching in 2017 of their own brand, *Top Manta*, using the slogan "legal clothing made by illegal people". This has enabled them to gain visibility, develop a collective critical discourse, and reclaim their public image. Yet their irregular status continues to prevent them from being treated as lawful residents and entrepreneurs.

Conclusion

The typology presented in this article sheds light on different relationships between informality and entrepreneurship, which derive from the various ways certain social groups are positioned with regard to the legal and social norms of specific environments as well as to the resources that can be mobilized to adapt to these environments.

"Digital nomads" correspond to the image of an entrepreneur sought by authorities and private-sector actors in Barcelona. This category of migrants is favorably positioned with regard to existing norms and can thus rely on various forms of support to develop business activities within the given framework. Informality in this case refers mainly to practices "marked by the absence of formality or ceremony" (Merriam-Webster, 2020), which are widely accepted and raise no legal or moral issues.

In contrast, "small business owners" are less favorably positioned with respect to the norms in place, in particular Spanish migration and labor market regulations. Improving one's social position and reaching official entrepreneurial status involves in many cases developing strategies at both local and transnational levels to circumvent obstacles. Despite sometimes illegal characteristics, these practices are an adaptation to a system that has incorporated them within its functioning because it fails to offer alternative solutions (Al-Mataani et al., 2017; Hooper, 2019; Polese, 2016; Routh, 2011). Informality in this context becomes both a necessity and a socially accepted resource for less advantaged categories of people seeking to develop a business project.

Finally, certain "street traders" have expressed a radical critique of the norms that disadvantage them, making visible their marginalization both in Barcelona and the

globalized world. Instead of changing individual social positions, their stated goal is to change the system itself. They oppose legal arguments with moral ones and openly challenge existing laws. Their discourse and practices generate mixed reactions, ranging from violence to active support depending on how and by whom their arguments are received. In this case too, informality is both a necessity and a resource: it is a necessity because street traders have few options for legal economic activity, but it is also the material upon which they build moral critique and attempt to gain legitimacy as both migrants and entrepreneurs.

Studying the role of informal practices in transnational entrepreneurship nourishes the argument that research needs to be sensitive to the contexts in which businesses are developed (Welter, 2011) and to the ways entrepreneurs are socially positioned within these contexts (Wahlbeck, 2018). Although many authors suggest that people with knowledge of different environments have an advantage to identify and exploit business niches (Drori et al., 2009; Harima & Vermuri, 2015), this ability alone is not sufficient for achieving a socially recognized status as an entrepreneur. The very notion of entrepreneurship is constructed through historical, social, and legal dynamics that shape the way different social groups identify and are identified with it (Ogbor, 2000). For this reason, focusing on transnational practices should not obscure the importance of local environments and power relations in the making of entrepreneurial subjects. While certain categories of people are favorably positioned with regard to existing norms, others need to find alternatives because their entrepreneurial activities are hindered by them. How this is achieved, and the costs involved depend on the entrepreneur's ability to mobilize economic, cultural, social, and moral resources, as well as the perception of their activities as more or less legitimate or socially acceptable. If entrepreneurs can transform norms, they nonetheless need acceptance and support within specific environments to render informal practices legitimate and thereby gain social recognition.

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