

Transforming into formal entrepreneurs: the path of Ukrainian immigrants in Poland

Ukrainian
immigrants in
Poland

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Abstract

Purpose – Immigrant integration through entrepreneurship is hindered by the prevalent informality of their ventures. This study aims to examine the factors influencing the formalisation of immigrant entrepreneurship, with special focus on those who are under the impact of the host country.

Design/methodology/approach – The study is based on a series of focus groups conducted among a total of 59 Ukrainian immigrants in Poland. Based on coding into first-order categories, second-order themes and aggregate dimensions, the authors created a model of immigrant entrepreneurship formalisation.

Findings – The results of the research included in the model show the groups of factors influencing the formalisation of immigrant entrepreneurship. Immigrants bring both their personal attitudes and embeddedness in their country of origin during immigration. Then, factors of the host country's institutions, interactions between local authorities and local communities and the need for a new place of belonging interact in the formalisation process. Formal entrepreneurs, as a new identity for immigrants, are the result of the formalisation process.

Originality/value – The results not only focus on social capital or the institutional failures of formal and informal institutions in transforming immigrants into formal entrepreneurs, but we also recognise the individual aspect of the new identity as formal entrepreneurs and a new place of belonging. In addition, the authors distinguish the importance and interactions between local communities and local authorities in this process. The paper contributes to the theory of entrepreneurship, migrant study and institutional theory.

Keywords Local authorities, Immigrant entrepreneurship, Local communities, Formal entrepreneurship, Formalisation of entrepreneurship, Ukrainian immigrants

Paper type Research paper

1. Introduction

Although the informal economy, defined as undertaking legal activities that are not subject to government regulation, supervision and taxation (Yang and Pisani, 2018), contributes significantly to economic output (Mathias *et al.*, 2015), it is the formal economy which is seen as a preferred condition having an impact on economic development (Yang and Pisani, 2018).

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Formalising informal entrepreneurship can promote economic development, increase competitiveness and job creation, as well as tax revenues (Mamo *et al.*, 2021). Despite this, there is still a scarcity of literature on the processes and determinants of business establishment in the formal or informal sectors (Pineda Duque and Castiblanco Moreno, 2022; Thai *et al.*, 2020).

People belonging to marginalised or structurally disadvantaged groups based on gender, ethnicity or religion are often engaged in informal sectors (Marques *et al.*, 2018; Mehtap *et al.*, 2019), which can increase their self-confidence and life aspirations and act as a preliminary or testing phase before moving into the formal economy (Mehtap *et al.*, 2019; Thapa Karki and Xheneti, 2018). By formalising the informal economy, their greater equality, higher welfare and ultimately empowerment can be achieved (Thapa Karki and Xheneti, 2018).

One of the groups that significantly contributes to the informal economy is immigrants, including forced immigrants (Hamid, 2020; Yang and Pisani, 2018; Zehra and Usmani, 2021). Both the increasing scale of migration and entrepreneurship as an integration option (Brzozowski, 2017; Morales *et al.*, 2022; Zhang and Chun, 2018) contribute to the growing importance of the formalisation of immigrant entrepreneurship, understood as their entering into the formal economy.

The aim of the paper is to investigate the factors influencing the formalisation of immigrant entrepreneurship, based on Ukrainian immigrants settled in Poland. Their situation is quite specific; due to political and economic crises and instability (Vasylytsiv *et al.*, 2022), about 15% of the Ukrainian population emigrated in the years 1990–2021 (Gylfason *et al.*, 2022), making them one of the largest labour suppliers in Europe (Pozniak, 2023). Poland has been one of the main receiving countries (White, 2022), with around 1–1.3 million of Ukrainian immigrants living in Poland in 2021 (Pędziwiatr *et al.*, 2022). The escalation of armed conflict in February 2022 caused a substantial influx of the Ukrainian population (Pędziwiatr and Magdziarz, 2023) and changed the composition of Ukrainian migration (Pozniak, 2023). By the end of October 2023, around 950,000 fleeing Ukrainians had been recorded in Poland, out of over 16 million who had crossed the border after February 2022 [1]. Ukrainians migrating to European Union countries usually apply for temporary protection, which gives them the right to work, rather than for refugee status (Pozniak, 2023). Ukrainian immigrants in Poland have various legal statuses (Lysienia, 2023; Pędziwiatr and Magdziarz, 2023). Those who migrated before February 2022 are considered voluntary migrants, while people who migrated after February 2022 are treated as forced migrants with a diversity of legal statuses, such as a permit for permanent residence, temporary residence, the status of a refugee or a person entitled to international protection (Pozniak, 2023).

Among the Ukrainian migrants in Poland, the complexity of migration motivation is visible, supporting the mixed migration paradigm. The dichotomy between “forced” and “voluntary” migration as binary opposites has been questioned since the 1990s, and recently, these forms of migration are seen as existing at “the extremes of a continuum”, acknowledging the complexity of migration and the overlapping of multiple motivations of individuals who migrate (Talleraas *et al.*, 2022; Vullnetari, 2012). These arguments lead to a “mixed migration” approach, which refers to “people on the move” (Pijenburg and Rijken, 2021; Vullnetari, 2012). Being aware of this complexity, in this paper, we refer to the migration of Ukrainians, regardless of their motivation and formal status.

In the context of informality, Ukrainian immigrants face significant differences in Poland as compared to their home country. The World Bank data shows that the size of the informal economy, measured as an estimated share of gross domestic product (GDP), was at a similar level of about 45.4% of GDP in Ukraine between 1990 and 2018, while in Poland it was significantly lower in 1990 (31.6%) and declined over the years to 23.3% in 2018 (Elgin *et al.*, 2021). The high level of entrepreneurs operating off-the-books in Ukraine is not a new issue

(Williams, 2009a; Williams *et al.*, 2012), as since the beginning of the transition in 1991, Ukraine has moved between different models of economic development. This has led to an entrepreneurial ecosystem with high levels of corruption and strong informal networks (Belitski *et al.*, 2022). Not only does the political situation in Ukraine push people to immigrate, but it also makes many entrepreneurs to move their companies to Poland as a neighbouring country (Borkowski *et al.*, 2021).

To recognise the process of formalisation of immigrant entrepreneurial ventures, we implement the qualitative research based on focus groups conducted among Ukrainian immigrants in Poland. Coding into first-order categories, second-order themes and aggregate dimensions allows us to create a model of immigrant entrepreneurship formalisation.

The remainder of the paper is structured as follows: within the theoretical background of the paper, we discuss the immigrant entrepreneurship and informal entrepreneurship. Next, we present the research method and results, followed by the aggregation of categories, themes and dimensions to present the model of immigrant entrepreneurship formalisation. We conclude the paper with a discussion, contribution, implications and the limitations of our study.

2. Theoretical background

2.1 Immigrants and entrepreneurship

According to the definition of the Organization for Economic Co-operation and Development: “Migration refers to all movements of people into (immigration) and out (emigration) of a specific country or countries” [...] based on the ground of the place of birth (foreign-born) or of the citizenship (foreigners)” [2]. Migrants are diverse group classified under categories: “family, free movement, work, humanitarian, accompanying family or other” [3], with refugees, asylum seekers, internally displaced people, victims of trafficking and unaccompanied migrant minors as humanitarian migration (Talleraas *et al.*, 2022).

In consequence, migrant entrepreneurship is the broadest concept, referring to the entrepreneurial activities of both immigrants and emigrants. Immigrant or migrant entrepreneurs, refugee entrepreneurs and return migrant entrepreneurs are distinguished based on the voluntariness of movement (Desai *et al.*, 2021); ethnic entrepreneurs and diaspora entrepreneurs are indicated based on ethnicity and access to co-ethnic networks (Arslan *et al.*, 2022); and transnational entrepreneurs are identified based on their cross-border ability (Sinkovics and Reuber, 2021). Moreover, as most immigrants integrate links with their host and home countries and other countries of their residence during the migration journey, they are known as transnational immigrant entrepreneurs (Duan *et al.*, 2022; Mittmasser, 2022; Yamamura and Lassalle, 2022).

Being aware of these differences, we accept the complexity of migration motivation and the perception of “forced” and “voluntary” migration as “the extremes of a continuum” (Talleraas *et al.*, 2022), and we support the “mixed migration” approach (Pijenburg and Rijken, 2021; Vullnetari, 2012). As we investigate the research problem from the perspective of the host country, we use the term “immigrant entrepreneurs” to refer to foreign-born individuals and foreigners acting as entrepreneurs in the host country.

Immigrants, including forced immigrants, are a group of people who contribute heavily to the informal economy (Hamid, 2020; Yang and Pisani, 2018; Zehra and Usmani, 2021). The importance of the process of formalising immigrant entrepreneurship stems from two aspects. With the development of globalisation processes, including the forced displacement, migration is a growing phenomenon, and entrepreneurship is an option for immigrants’ integration in the host country (Desai *et al.*, 2021; Kassab *et al.*, 2022). At the same time, immigrant entrepreneurship is favourable to economic growth (Brzozowski, 2017; Harima, 2022; Harima *et al.*, 2019; Morales *et al.*, 2022; Zhang and Chun, 2018).

Immigrants may view entrepreneurship as a way to integrate economically into the host country because it is more feasible than employment (Kassab *et al.*, 2022). They also display a more entrepreneurial attitude in terms of risk-taking and the need for achievement (Arshad and Berndt, 2023; Meister and Mauer, 2019; Vador, 2021). Typically, immigrant entrepreneurship is perceived as necessity-driven option to survive in the host country due to their unfavourable position at the labour market (Kassab *et al.*, 2022). Their experience of discrimination and marginalisation pushes them towards entrepreneurship (Arshad and Berndt, 2023; Wang, 2019). However, recently, the more complex motivations of immigrants have been highlighted, as they are also motivated by opportunities related to their international experience (Duan *et al.*, 2022; García-Cabrera *et al.*, 2020; Mawson and Kasem, 2019; Mittmasser, 2022), including the entrepreneurial experience in the home country before migration (De Lange *et al.*, 2021). In fact, the factors of necessity and opportunity, related to the home and host countries, make a combination of entrepreneurial drivers for immigrants (Pekkala Kerr and Kerr, 2020; Sinkovics and Reuber, 2021; Yeasmin, 2016). The motivation is even more complex as immigrants perceive entrepreneurship as a way out of unemployment, avoiding underemployment, a way to live in their home country or a preferred choice (Munkejord, 2017), with emancipation values supporting this choice (Mousa and Abdelgaffar, 2023a). Motivators such as individual factors (characteristics, experience, values, self-efficacy) (Mawson and Kasem, 2019; Zhang and Chun, 2018), the recognition of entrepreneurial opportunities and external factors related to the immigrant entrepreneurial environment are the most commonly investigated in the immigrant entrepreneurship research (Duan and Sandhu, 2022; Indarti *et al.*, 2021).

Immigrants need to familiarise themselves with the formal and informal institutions in the host country (Brzozowski *et al.*, 2022) and overcome cross-cultural adaptation with both enabling and constraining tensions (Walsh and Cooney, 2022). Their modes of entry into entrepreneurship are varied, related to family support, spatial embeddedness and a sense of belonging in the new place of settlement (Munkejord, 2017). They operate in a three-domain environment, being embedded in the country of origin, the host country and ethnic communities or diaspora (Andersson, 2021; Arslan *et al.*, 2022; Biggeri *et al.*, 2022; Borkowski *et al.*, 2021; Brieger and Gielnik, 2021; Duan and Sandhu, 2022; Tubadji *et al.*, 2020). The way of being treated in the host country also impacts the immigrant entrepreneurs' attitude to managing their ventures (Mousa and Abdelgaffar, 2023b). At the same time, they create social networks consisting of their compatriots, which allow them to share power, information and knowledge (Bizri, 2017).

In the context of informality, entrepreneurial activities of immigrants look more like a mix of formal transactions, exchanges of favours and gifts and sometimes partly illegal trade or even criminal activity (Ojo *et al.*, 2013). Moreover, sometimes informality is not a choice but a consequence of being an illegal immigrant without access to the legal economy (Ojo *et al.*, 2013).

2.2 Informal entrepreneurship

The informal economy, defined as undertaking legal activities, but outside of government regulation, supervision and taxation, is perceived as an unfavourable condition for economic development (Yang and Pisani, 2018). Informal entrepreneurship, one of the aspects of the informal economy, means the activities of companies that are unregistered or largely unregulated (Jimenez *et al.*, 2015). Since informal business opportunities can be both legal and illegal, the legitimacy of informal entrepreneurs affects their social acceptance and persecution by legal authorities (Pineda Duque and Castiblanco Moreno, 2022). Informal entrepreneurs engage in business to provide legal goods and services, not criminal ones and could become formal if they registered and paid taxes (Pineda Duque and Castiblanco Moreno, 2022). The variety of informalities allows us to distinguish between entirely or

partially informal entrepreneurship, as well as temporarily or permanently operating in the informal economy (Thoto *et al.*, 2021; Williams and Shahid, 2016; Williams and J. Nadin, 2014).

Informal entrepreneurship can be both growth-oriented, when weak formal institutions create opportunity-driven incentives for informality and subsistence-oriented (necessity-driven), when institutional weakness pushes entrepreneurs out of the formal economy (Ault and Spicer, 2022; Mehtap *et al.*, 2019). Pushing out by necessity is due to the exclusion and/or inability to enter the formal market, mainly the labour market (Amésquita Cubillas *et al.*, 2018; Pineda Duque and Castiblanco Moreno, 2022). Motives for informality based on necessity and opportunity often coexist and additionally change over time (Williams, 2009b). Increasingly, informal entrepreneurship is perceived as a rational choice related to the cost-benefit analysis of formalisation (Avila *et al.*, 2021). Informal entrepreneurship enables income generation when barriers to entry in the form of skills and financial capital are low, but it also generates the risk of being trapped in overcrowded and unproductive sectors (Thapa Karki and Xheneti, 2018).

Formalising a business, understood as entering into the formal economy, is a complex and dynamic process influenced by social and emotional logics that depend on both experiences in the informal economy and socio-cultural contexts of performing social roles (Thapa Karki *et al.*, 2021). Formalising informal entrepreneurship can promote economic development, increase competitiveness and job creation, as well as tax revenues (Mamo *et al.*, 2021). The formalisation process can be supported by market-oriented reforms aimed at changing the relative costs and benefits of becoming a formal entrepreneur (Weng *et al.*, 2021).

The formalisation of immigrant ventures can also be perceived as a path of their migration journey, first informal within immigrant networks, then informal entrepreneurial activities, followed by setting up an enterprise and finally the development of the company to enter into the main market of the host country (Homel, 2022).

The formalisation of immigrant ventures can be also important from the perspective of the citizens of host countries, who are often divided in their attitudes towards immigration based on their support of social welfare (Häkkinen and Toikko, 2021), as formal immigrant businesses can be perceived by citizens as beneficial to the society.

2.3 The theoretical backgrounds of informal entrepreneurship

Since informal entrepreneurship is a complex and heterogeneous phenomenon, no single theory can be universally applied for explanations (Berdiev and Saunoris, 2019; Williams *et al.*, 2012).

The informal economy is explained by the quality of institutions (Mathias *et al.*, 2015), wherein the regulatory pillar pertains to the formal overall governance structure, while the cognitive and normative pillars are linked to practices in entrepreneurial networks, based on the level of acceptance of informal enterprises (Fredström *et al.*, 2021). A higher level of quality of economic and political institutions lowers the level of informal entrepreneurship (Autio and Fu, 2015; Santos *et al.*, 2019). Corruption, sometimes serving as a “tax” on formality, is an example of this impact, as higher levels of corruption influence higher levels of entrepreneurial flight to informality (Berdiev and Saunoris, 2020). Informal entrepreneurship is seen as a result of either the failure of formal institutions, often discussed as redistributive justice, procedural justice and public sector corruption or the asymmetry between formal and informal institutions, measured by tax morality, while institutional asymmetry can also act as the mediating factor (Shahid *et al.*, 2022; Williams and Shahid, 2016). In this context, the

regulatory pillar of institutions is considered exclusively (formal institution) or together with the cognitive and normative pillars (asymmetry).

Another theoretical explanation of informality is related to social embeddedness. Social capital is also often discussed with regards to three dimensions: the structural dimension, associated with participation in social networks, the relational dimension, represented by interpersonal trust and the cognitive dimension, reflected in national norms of trustworthiness and institutional trust (Thai *et al.*, 2020). However, the division between what is legal or illegal depends on the law and the economic system, not on the nature of companies (Ojo *et al.*, 2013). The institutional trust constrains informal entrepreneurship and supports formal entrepreneurship, interpersonal trust promotes entrepreneurship more strongly in the informal sector than in the formal sector and credibility norms encourage registered rather than informal activity (Thai *et al.*, 2020). The size of the informal economy also has its consequences in terms of an inversely proportional effect on entrepreneurial productivity (Fredström *et al.*, 2021; Wiseman, 2015).

Structuralism is another theoretical explanation of activity in the informal sectors as a survival strategy for people belonging to marginalised or structurally disadvantaged groups based on gender, ethnicity or religion, including minorities (Marques *et al.*, 2018; Mehtap *et al.*, 2019). Informal entrepreneurship is a way to boost their self-confidence and life aspirations, while formalisation empowers people at the household and community level (Thapa Karki and Xheneti, 2018). The informal economy can also act as a preliminary or testing phase before moving into the formal economy (Mehtap *et al.*, 2019).

3. Research method

To investigate the factors influencing the formalisation of immigrant entrepreneurial ventures, this research focuses on Ukrainian immigrants settled in Poland due to the mixed migration motives and the disparity in the scale of informal economies in these two countries. The nature of the problem as new and under-studied (Glinka *et al.*, 2023) impacts the choice of focus groups as the qualitative research method. The study consisted of several focus group discussions with immigrants from Ukraine residing in Poland to gain a deeper understanding of the participants' opinions. We discussed issues related to the formalisation of entrepreneurship, with a focus on their motives and barriers. The participants had the opportunity to share their experiences and opinions on formalisation.

A total of 59 people, divided into several focus groups, took part in the research between December 2022 and February 2023. The research was conducted in cooperation with the local municipality, which provides training for Ukrainian residents in Poland who are interested in doing business. Training sessions delivered by local municipalities were aimed at explaining the formal possibilities to register a business by foreigners living in Poland. After training sessions, we conducted focus group discussions with the participants, about 1.5 h each. All participants of training sessions were invited to join the discussion in focus groups. Such a strategy to attract participants allowed us to include in the discussions those Ukrainians who were interested enough in registering their businesses to participate in the municipality's training sessions. The focus groups were conducted online using the Zoom platform in the Ukrainian language with the assistance of a Polish-Ukrainian translator; all participants were informed about the research purpose, the anonymity and voluntariness of the study. One of the authors participated in the focus groups and transcribed all the statements of Ukrainians.

The demographic structure of the participants under focus (Table 1) reflects the characteristics of Ukrainian immigrants residing in Poland.

Before the escalation of the conflict, Poland was one of the main countries receiving Ukrainian immigrants (White, 2022), with estimations of around 1.3 million of Ukrainian migrants living here before 2022, which means at least one year before the research. After

	%	Ukrainian immigrants in Poland
<i>Age</i>		
18–25 years	8	
26–35 years	28	
36–45 years	48	
over 45 years	16	
<i>Gender</i>		
Woman	84	
Man	16	
<i>Education</i>		
Secondary	12	
Higher	88	
<i>Period of stay in Poland</i>		
1–5 years	13	
Less than one year	54	
More than five years	33	
<i>Previous work experience*</i>		
No experience	3	
Work in private companies	47	
Working in the public sector	7	
Running your own business	43	

Notes: Legend: *N* = 59; *respondents could indicate more than one answer
Source: Own elaboration based on empirical research

Table 1.
Characteristics of the
focus groups’
participants

the escalation of the conflict in February 2022, the forced migrants settled, staying in Poland for less than one year before the study. This characteristic is reflected in the structure of participants, with half having settled for over one year (voluntary migrants) and the other half having settled for less than one year (forced migrants).

The 36–45 age range was the most represented (48%) and the 18–25 age range was the least represented (8%). The majority of the respondents were women (84%) with higher education (88%). Typically, the respondents had experience in running their own business (43%) or working in private enterprises (47%). Only 7% had previously worked in the public sector, and 3% of the respondents were with no work experience. This may suggest that many of the Ukrainian immigrants surveyed in Poland have the skills and resources necessary to run their own businesses.

While conducting focus groups, we adopted the following procedure. First, we read all transcripts of all focus groups several times to understand the similar patterns of participants’ opinions and to group them into some main topics. The authors jointly conducted the coding process iteratively, using tools from the MS Office package.

Then, similarly to [Glinka et al. \(2023\)](#), [Koehne et al. \(2022\)](#) and [Shepherd et al. \(2020\)](#), we went through all opinions of the respondents once again and implemented a three-stage analytical procedure. At first, we used the open coding to identify the main information shared by the respondents and we recognised the first-order categories. Relevant sections of the text with significant information, thoughts or observations from the participants were marked and flexible code categories were created and the relevant text fragments were assigned to them. Next, we implemented the axial coding to identify the relationships among first-order categories and to recognise the second-order themes based on that. The codes

were organised logically and grouped into thematic sets. A qualitative review of the results obtained was carried out, and necessary corrections were made. Next, we followed with the grouping and abstracting the second-order themes to reach the aggregate dimensions (Figure 1). Finally, the data were subjected to interpretation, and visualisations were prepared. Based on coding into first-order categories, second-order themes and aggregate dimensions, we constructed the model of transformation of Ukrainian immigrants into formal entrepreneurs in Poland (Figure 2).

4. Results

4.1 Facing discrimination

Immigrants from Ukraine currently residing in Poland are in a peculiar situation. Whether they arrived in Poland a few years ago or only in 2022, after the escalation of the armed conflict, they now have a much-reduced possibility of returning to their home country. Consequently, they are far more motivated to find their new place of living under the new conditions than other groups of immigrants, resulting in their efforts to integrate into Polish local communities.

However, according to our respondents' answers, these communities often hold prejudices against them. This can be due to a number of factors and have different backgrounds, but the most common reasons are the fear of losing one's job and livelihood, the perception of immigrants as the beneficiaries of the social system and the lack of knowledge about the culture and traditions of Ukrainians, which leads to stereotypes and misunderstandings. The media often portray immigrants in a negative light, suggesting that they are associated with crime or pose a threat to society, which can influence people's prejudices against them. Polish citizens who have no experience of interacting with foreigners are less tolerant and may feel threatened in the presence of immigrants. National, historical and political issues also lead to tensions between Ukrainians and Poles:

"I often encounter prejudice against immigrants".

"I have a problem renting a property. The moment Polish people hear that someone speaks poor Polish, is from the Ukraine, they say that the ad is already out of date, refuse to rent, etc".

"Many people have negative experiences of working for someone because of bullying, disrespect, exploitation etc. So, there is an emerging desire to create workplaces that are comfortable and good for people".

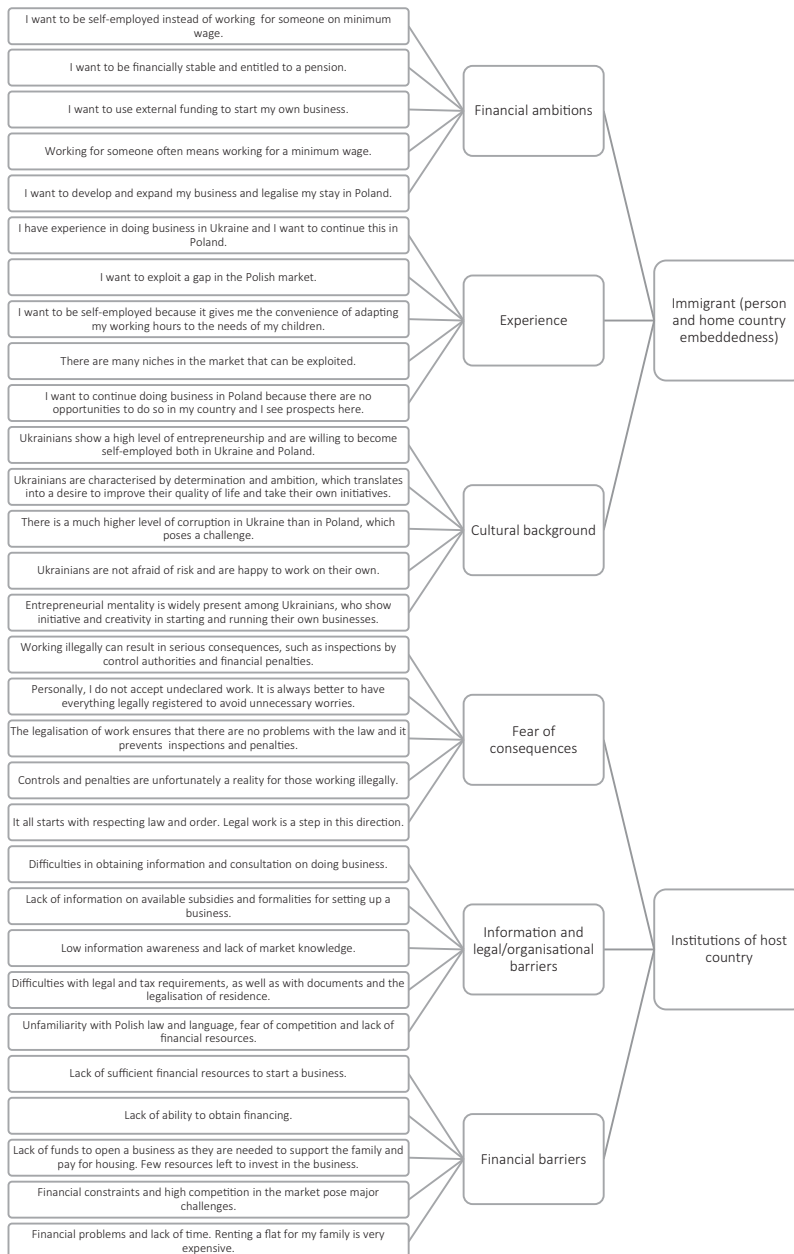
"When working for Polish employers, we often encounter problems regarding the acquisition of documents necessary for legal residence by Ukrainians in Poland (the lack of knowledge and willingness)".

4.2 Living in a new reality

During the discussion, immigrants stressed that they would like to become part of these communities and be respected and treated as regular members of society. They perceive the formalisation of their entrepreneurial activities as one way to do this. By legalising their ventures, Ukrainians want to be seen as an important part of the community, contributing to the economic development of the host country and paying taxes, not only live on social benefits:

"I want to feel useful and resume my professional activity".

Ukrainian immigrants in Poland



(continued)

Figure 1.
Data structure (first-order categories, second-order themes and aggregate dimensions)



Figure 1.

Source: Own elaboration based on empirical research

Ukrainian immigrants in Poland

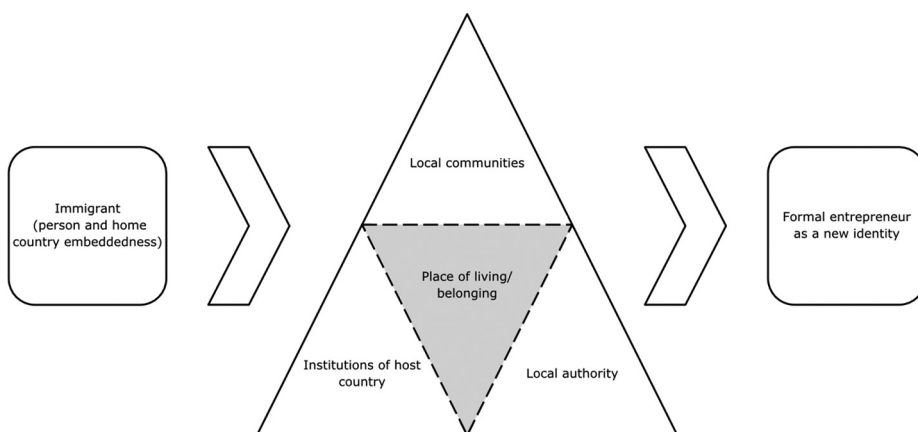


Figure 2.
Model of immigrant entrepreneurship formalisation

Source: Own elaboration based on empirical research

“I would like to obtain stability in the new State.”

“Many of us want to take out loans for flats and houses. Self-employment increases the possibilities in this respect. Very often employers employ through agencies or on the basis of civil law contracts, which makes it much more difficult to take a loan. Staying legally in the country also means a peaceful life”.

“I want to be a full member of society, to have the rights and opportunities that Polish citizens have”.

“I would like to lead a peaceful, legal life”.

At the same time, the focus groups show that local communities, both Polish and Ukrainian, often encourage Ukrainian immigrants to legalise their businesses. They point out that it is a way to increase their income and they share their positive experiences of running their own business. Sometimes they offer business advice, e.g. how to get a loan, how to attract customers or how to choose the best location. In addition, they encourage attendance at training courses or courses on running a business to help you acquire the knowledge and skills you need to manage your business effectively. They also often point out the penalties for working illegally or running an unregistered business:

“Clients encouraged me to be self-employed, they told me that it is not so difficult to open a business”.

“Ukrainians who have been living in Poland longer tremendously motivate and encourage them to open a business, they give a lot of support”.

“There is a lot of encouragement from Polish and Ukrainian friends to open their own business”.

“I see a lot of examples of other people from Ukraine who have set up businesses”.

“Some people I know told me about inspections and high penalties for working illegally”.

4.3 Barriers and institutional support

The ongoing armed conflict has limited the availability of funds for Ukrainians in their home country, regardless of their previous financial situation. For this reason, it is often difficult for them to start a business due to insufficient start-up capital. They must provide for their own and their families' basic physiological needs, and only the surplus can be invested in the business:

"I do not have the financial means to open a business. A lot of money is needed to provide for my children and family, rent a place, etc., very little money is left to invest in the business".

A significant number of respondents have the knowledge, skills and experience necessary to run a business and have business ideas. However, they lack information about starting and running a business in Poland, as well as about differences in the legal and tax systems between Poland and Ukraine:

"There is not enough information in the public space and among specialists on the specific issues concerning the organisation of a certain type of business".

"I see big differences in the legal conditions for running one's own biz in Poland and Ukraine".

"In Poland, there are very complicated legal requirements for running a business".

"I have experience in doing business in Ukraine and I want to continue doing business in Poland".

"I want to cooperate with entities in Ukraine (e.g., sell in Poland products produced in Ukraine)".

"I want to continue my business in Poland, because it is impossible to do it in my home country. There are prospects here".

"I see many gaps in the Polish market and I would like to exploit them".

The institutional support of the host country greatly strengthens the efforts of local communities to promote the formalisation of immigrants' entrepreneurial activities. A lot of immigrants are currently operating unregistered businesses as a form of trial, to see if their business has a chance of success, without incurring financial or organisational expenses. Focus participants highlighted the role of support of institutions such as labour offices, city and municipal offices, chambers of commerce and non-governmental organisations in providing information and assistance to Ukrainian immigrants who want to set up their businesses. Ukrainians receive information, often in their native language, about the conditions for doing business in Poland, available sources of funding and tax and legal regulations. Institutions also support them by training courses and workshops on management, marketing, accounting or law. Local companies often hire immigrants and offer assistance in establishing their businesses, providing information on the specifics of the local market and consumer needs. Immigrants from Ukraine can benefit from various sources of funding available to start-ups such as grants, loans or leasing. Institutions also promote immigrants' business activities by organising exhibitions or conferences.

Institutions, on the one hand, encourage immigrants to do business, while, on the other hand, they also point out the consequences of operating in the informal economy. These consequences can be particularly severe for immigrants not only because of financial penalties but also due to the risk of deportation to their home country. Consequently, Ukrainian immigrants in Poland are a group particularly motivated to become part of the host community by legalising their entrepreneurship:

“I would like to use the funding to start a business”.

“Business activity increases the possibilities of benefiting from different types of social assistance (kindergartens, crèches, etc.)”.

“My cooperation with other companies is difficult due to the lack of a registered business”.

“There was nothing stopping me from starting my business. I worked for a year in the company, doing the same work as in Ukraine. I got to know the market, the materials and set up my business without any problems. I used external services, such as accounting etc”.

4.4 Individual background

The respondents pointed out that Ukrainians have an entrepreneurial mentality with a high propensity for risk. They like self-employment and, at home, they prefer this style of work. However, as the level of corruption is very high in their home country, they often ran businesses there without registering or paying the necessary taxes. In Poland, they tackle the challenge of adapting to a different reality, which makes it particularly important to support them both at the local community and institutional level to strengthen their efforts in setting up and running a legal business:

“The level of entrepreneurship among Ukrainians is high - we like self-employment in Ukraine and we are not afraid to start a business in Poland”.

“It is very important for me to be independent and be able to raise my standard of living, as well as self-development. Working for someone else generally involves working for the lowest wage”.

“There is even more corruption in Ukraine than in Poland; breaking the patterns of corruption and taking on honest work is a challenge for us”.

“We are used to fighting for our own, we are ambitious, and this is how plans for a better life and starting a business are born. Ukrainians like to work at their own risk. They try to arrange their lives in a new reality, to improve their standard of functioning”.

“I would like to build self-confidence through success in business”.

To summarise the opinions of respondents, we implemented the axial coding to identify the relationships among first-order categories, the second-order themes and the aggregate dimensions, which is presented at [Figure 1](#).

5. Conclusions and discussion

5.1 Discussion

The results of our research allow developing the model of immigrants' transformation into formal entrepreneurs in the host country based on the perception of Ukrainians migrating to Poland, presented in [Figure 2](#). Our research attitude is different than the steps towards entering the mainstream markets developed by [Homel \(2022\)](#), as instead of dynamic logic, we discover an input-output perspective.

On the one hand, an immigrant is a person with all his/her characteristics, attitudes, values, experiences, dreams and fears embedded in the home country context. While immigrating and integrating in the host country, immigrants experience a set of interrelated factors, which interact with their personality. The significance of personality aspects of

immigrant entrepreneurship is in line with other results showing the strong desirability towards entrepreneurship among immigrants (Mawson and Kasem, 2019). However, our findings highlight this individual context from the new perspective of registration and formalisation of immigrant ventures.

Formal and informal institutions of the host country are at the bottom of the pyramid as they shape the contexts of living and integrating, impacting the formalisation process through legal and financial barriers, and the fear of the consequences of acting informally. These findings confirm the significance of institutional quality for the formal entrepreneurship (Fredström *et al.*, 2021; Mathias *et al.*, 2015). Our results are also in line with the recommendation of policies of welcoming entrepreneurial refugees (De Lange *et al.*, 2021), and with recognition of limited access to external financial support as a challenge for micro-companies run by ethnic minorities (Arslan *et al.*, 2022). We confirm the importance of these formal barriers also in formalising immigrant businesses.

The next aspects of the pyramid concern local authorities and local communities interacting with each other. Activities undertaken by local authorities related to overcoming language barriers, information on the regulations on doing business in Poland, support in the collection of documents and the legalisation of residency are of crucial importance in the process of transforming immigrants into formal entrepreneurs. Local communities influence the formalisation of immigrant ventures both through the impact of the business environment, related to the collaboration with companies run by diaspora members, Poles and Ukrainians who stayed in the home country and through the impact of friends and neighbours, pertaining to role models and encouragement to become self-employed. These results support the observation regarding the significance of social capital in formal entrepreneurship (Thai *et al.*, 2020).

In the centre of the pyramid, there is a driver of finding a new place of living and belonging, shaped by the need for stability, peaceful and legal life and becoming a member of a new society. All these groups of factors, interacting with each other, create a new identity of immigrants as a formal entrepreneurs.

Our results demonstrate the complexity and dynamics of formalisation of immigrants' entrepreneurial ventures, in line with the findings of Thapa Karki *et al.* (2021), influenced not only by the context of the home country and an immigrant's personality but also, to a great extent, by the context of the host country's national and local communities and authorities.

Our results are in line with the multiple embeddedness of immigrant entrepreneurship (Biggeri *et al.*, 2022; Borkowski *et al.*, 2021; Brieger and Gielnik, 2021; Duan and Sandhu, 2022; Harima, 2022; Tubadji *et al.*, 2020), the importance of diaspora networks establishing businesses by Ukrainian immigrants (Borkowski *et al.*, 2021), as well as the significance of the resources within the ethnic enclave (Andersson, 2021). The role played by local communities is also in line with the observation on the significance of the way immigrant entrepreneurs are treated in the host country (Mousa and Abdelgaffar, 2023b). Moreover, we go beyond the typical attitude of new venture creation and we indicate the significance of local communities and authorities in formalising entrepreneurial ventures.

We also recognised the importance of immigrants' need for a place of living and belonging, as well as their need for a new identity while integrating with the host country. Our results are in line with the perception of entrepreneurship as empowering and emancipating people at the community level (Thapa Karki and Xheneti, 2018; Mousa and Abdelgaffar, 2023a). The need for a new identity as formal entrepreneurs is formed in the context of local authorities and communities. Following the divisions in citizens' approach towards immigration related to their attitudes towards welfare (Häkkinä and Toikko, 2021), it is crucial to understand the process and factors of transforming towards formal

entrepreneurs by immigrants, as by becoming formal entrepreneurs, immigrants can be perceived by local citizens as contributing to all the economy and society. The formalisation of a business impacted by the need of becoming a member of a new community to some extent refers to the credibility norms, which are believed to encourage the registration of businesses rather than informal activity (Thai *et al.*, 2020).

Immigrants from Ukraine in Poland are a specific group in some respects. Firstly, due to the ongoing armed conflict on the Ukrainian territory, they have a limited possibility to return to their country of origin and are thus highly motivated to start a new life for themselves in Poland. For this reason, they would like to make a significant contribution to the life of local communities and the economy, and not be seen merely as beneficiaries. Furthermore, based on our research, Ukrainians are a very pro-entrepreneurial nation who like to work on their own and at their own risk and who have experienced a significantly higher level of corruption in their country of origin than in Poland. Thus, they are entrepreneurial and strongly motivated to stay in the country, but lack motivation to formalise their entrepreneurship. Interestingly, they have no problem with formalisation; they are not afraid of it or avoid it – they rather treat it as a necessity or an unavoidable cost of running a business in a new reality. These results support the observation of cross-cultural adaptation with both enabling and constraining tensions in the process of becoming migrant entrepreneurs (Walsh and Cooney, 2022). Ukrainian immigrants were strongly affected by the business culture of the host country in the process of transformation towards formal entrepreneurs.

From the perspective of the cost-benefit analysis of formalisation (Avila *et al.*, 2021), we discovered not only financial benefits but also more social and personal ones, relating to the need for a new identity in the host country, the need for finding stability and a place of living and for becoming part of a community.

5.2 Theoretical implications

Our research provides several theoretical implications. Firstly, our results contribute to the entrepreneurship theory by explaining the formalisation process of entrepreneurial activity. Although our findings apply to the formalisation of immigrant ventures, they can also refer to other types of entrepreneurs, mainly those belonging to socially marginalised groups. Among theoretical streams explaining the informal entrepreneurship (Berdiev and Saunoris, 2019; Williams *et al.*, 2012) from the perspective of Ukrainian immigrants in Poland, there are two of them, structuralism and post-structuralism, that receive the greatest support. In their openness to formalising their businesses, immigrants aim to acquire a new identity as formal entrepreneurs in the host country based on the institutional, local community and local authority contexts. Therefore, informality appears as a survival strategy, resulting from a combination of social, redistributive, political or identity reasons. The institutional influence on the formalisation of immigrant ventures contributes to the understanding of strong institutions as an incentive to pursue formal entrepreneurship. The driving forces behind formalities include both national and local-level institutions and the network of local communities. These findings support the necessity-driven motivators and the thesis that weak institutions pursue informality (Autio and Fu, 2015; Amésquita Cubillas *et al.*, 2018; Santos *et al.*, 2019; Pineda Duque and Castiblanco Moreno, 2022).

Secondly, our results contribute to the study of migration, including both, broadly, the integration of immigrants in host countries and, narrowly, the integration through running their own businesses. As immigrant entrepreneurship is under-researched in Europe (Arshad and Berndt, 2023; Dabić *et al.*, 2020; García-Cabrera *et al.*, 2020; Verшинina *et al.*, 2019), we add to this theoretical perspective by discovering and presenting the model of factors impacting the formalisation of immigrant ventures. We argue that to integrate into

the host country through entrepreneurship (Brzozowski, 2017; Harima, 2022; Harima *et al.*, 2019; Morales *et al.*, 2022; Zhang and Chun, 2018), it is crucial to become a formal entrepreneur. The combination of institutions, local communities and authorities at the level of the host country with immigrants' need for a place of belonging and their identity are key motivators for registered entrepreneurship.

Our results confirm the mixed motivation of immigrants to engage in entrepreneurship (Duan *et al.*, 2022; García-Cabrera *et al.*, 2020; Mawson and Kasem, 2019; Mittmasser, 2022), including the entrepreneurial experience in the home country before migration (De Lange *et al.*, 2021). However, our findings go beyond that and show the significance of local authority and community contexts in registering and formalising immigrant businesses. We contribute to the discussion on the three-domain embeddedness of immigrant entrepreneurs in the country of origin, the host country and ethnic communities or diaspora (Andersson, 2021; Arslan *et al.*, 2022; Biggeri *et al.*, 2022; Borkowski *et al.*, 2021; Brieger and Gielnik, 2021; Duan and Sandhu, 2022; Tubadji *et al.*, 2020) by showing the importance of local embeddedness in the formalisation of immigrant ventures.

Thirdly, our results also bring implications to institutional theory by indicating the importance of the host country's formal and informal institutions for the propensity to formalise immigrant businesses. The size of the informal economy is often perceived as related to the quality of institutions (Mathias *et al.*, 2015), with regulatory, cognitive and normative pillars (Fredström *et al.*, 2021). We confirm the importance of all these institutional pillars in the context of the registration of immigrant ventures and their overlapping. However, according to our results, the cognitive and normative institutions affect not only in entrepreneurial networks (Fredström *et al.*, 2021) but also in the wider context of local communities and authorities.

5.3 Practical implications

Our research results have several practical implications, mainly for the policy of immigrant integration both at the level of the whole country and of local authorities and communities, in line with the recommendation of De Lange *et al.* (2021). The integration of immigrants can bring many economic and social benefits to the host country, such as increased tax revenues, labour supply, economic growth, cultural diversity, etc. These benefits can be achieved by supporting entrepreneurial activities and encouraging the formalisation of immigrants' economic activities.

For the government bodies of the host country, the appropriate legal and organisational regulations are of significant importance to facilitate legal economic activities and to avoid pushing immigrants into the informal economy. The host country should identify and introduce incentives for formalisation, as well as implement the consequences for unregistered economic activity, with the involvement of different stakeholders. Formalisation cannot be merely required based on the negative consequences of operating in the informal economy, as it may greatly discourage business start-ups. Potential entrepreneurs need to see the benefits of registering their business. Legal barriers to entry and exit should be lowered and simplified to allow people to "test" their business and facilitate the transition from the informal sector to formal entrepreneurship.

Our recommendations are, to some extent, in line with the suggestion of host country government role in promoting business services (Kassab *et al.*, 2022). However, we go further to show the importance of local authorities. They should carry out information activities, including in Ukrainian, concerning the establishment and running of certain types of businesses and the related legal and organisational requirements. The support of entrepreneurial incubators, including those run by local authorities, is crucial in testing businesses as well as in delivering legal services, entrepreneurial education and organisational facilitations. As migrants are

deprived of financial resources, the possibility of obtaining start-up grants, even at a relatively low level, should support the formalisation of their ventures.

All actions at the institutional level should be reinforced by local communities, which help immigrants to find their way in the new reality. They can work in cooperation with local authorities to provide immigrants with easier access to information and services related to entrepreneurship. They can also offer direct support to immigrants who want to set up their business, including assistance in finding a location, ensuring access to finance or providing business advice. Local communities can also act as mediators between immigrants and other entrepreneurs and institutions. They can help in starting a company and establishing commercial contacts between immigrants and local businesses and assist in networking and building relationships. Local communities can also draw the attention of the authorities to the need for supporting immigrant entrepreneurship by specifying problems of immigrants and suggesting solutions.

5.4 Limitations and further research

Our research also has its limitations. Firstly, the study included immigrants from a conflict-affected country, which may have affected their perceptions of business formalisation due to the limited possibility of returning to their home country. Further research should confirm our findings also among other groups of immigrants. Secondly, due to the gender characteristics and level of education of the vast majority of Ukrainian immigrants in Poland, women and people with higher education are overrepresented among our respondents. These limitations imply that further research to verify the model of entrepreneurial venture formalisation on other groups of immigrants should be conducted.

Notes

1. <https://data2.unhcr.org/en/situations/ukraine>, access 27/11/2023.
2. See: [www.oecd-ilibrary.org/social-issues-migration-health/migration/indicator-group/english_443b6567-en#:~:text=Migration%20refers%20to%20all%20movements,of%20the%20citizenship%20\(foreigners\)](http://www.oecd-ilibrary.org/social-issues-migration-health/migration/indicator-group/english_443b6567-en#:~:text=Migration%20refers%20to%20all%20movements,of%20the%20citizenship%20(foreigners),), access 06/10/2023.
3. See: [www.oecd-ilibrary.org/social-issues-migration-health/migration/indicator-group/english_443b6567-en#:~:text=Migration%20refers%20to%20all%20movements,of%20the%20citizenship%20\(foreigners\)](http://www.oecd-ilibrary.org/social-issues-migration-health/migration/indicator-group/english_443b6567-en#:~:text=Migration%20refers%20to%20all%20movements,of%20the%20citizenship%20(foreigners),), access 06/10/2023.

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