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# From Workers to Entrepreneurs: Central Asian Migrants in the Russian Business Market

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*The current article contributes to the discussion on the trajectories of the economic integration of immigrants in adverse, informal contexts. Specifically, it explores the processes of the generation and application of business resources among Central Asian migrant entrepreneurs in Russia. This study highlights the crucial and multifaceted importance of former employment for migrant entrepreneurs. With restricted access to resources in Russia, Central Asian migrants deliberately used their workplaces to access business knowledge, networks and financial capital. By applying these resources, they replicated the successful business models of their former employers. This integration path appears to be shaped by the ambivalent forces of informality in the Russian economy.*

*Keywords: migrant entrepreneurship, employment, informality, capital, Central Asia, Russia*

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## Introduction

With the start of the war in Ukraine in 2022, the role of Russia in both regional and global migration processes has changed significantly. In less than a year, Russia turned into a major migrant-sending country; thousands of Russian citizens who disagreed with the government's domestic and foreign political course fled abroad (Vorobeva 2022). However, to date, it also remains a popular migration destination for millions of people from former socialist republics (Eraliev and Urinboyev 2020). More particularly, the majority of migrants in Russia originate from Central Asian states such as Uzbekistan, Tajikistan and Kyrgyzstan (Eraliev and Urinboyev 2020). The trajectories of their economic integration in Russia vary; along with pursuing professional careers, many seize business opportunities and establish their own enterprises. Despite the multiple barriers to the Russian business sector, entrepreneurship appears to be a good alternative to underpaid vulnerable employment. Although official statistics on the exact number of migrant businesspersons in the country are missing, according to available estimations, their number may far exceed 50,000 (Mukomel 2013).

Being more often necessity- rather than opportunity-driven, migrant entrepreneurs may suffer from a lack of valuable resources that are crucial to business success in a host state (Eroğlu 2018). Due to insufficient human, social and financial capital, migrant businesspersons have even been labelled 'under-resourced entrepreneurs' (Jones, Ram, Edwards, Kiselinchev and Muchenje 2014). Acquiring the necessary capital and entering the Russian business sector appear to be especially challenging for them for a combination of reasons. First, the informality of the Russian economy limits the access of newcomers to crucial business knowledge, networks and funding; outsiders are often unacquainted with the unwritten rules of business conduct and the hidden opportunities in the Russian market (Ledeneva 2006). Second, migrants face xenophobia and multiple structural constraints on self-employment. As a rule, neither Russian nor home-state authorities assist immigrants in accessing or generating capital through support mechanisms, unlike in some Western states where startup accelerator programmes are fairly common. However, even under such drastic conditions, many migrants in Russia procure capital and engage in entrepreneurship. To date, little is known about how they generate and use business resources in such an unfavourable, informal context.

Therefore, the current study intends to shed light on the questions posed. How do migrant entrepreneurs generate resources in Russia? How do they apply the resources for business purposes? In this study, the mixed-methods approach is adopted and unique qualitative and quantitative data that were collected from Central Asian migrant entrepreneurs in Moscow and Saint Petersburg in Autumn 2021 are presented. The current research contributes to relevant debates by demonstrating how migrants referred to their places of employment as business incubators. The data show that they strategically used their workplaces to acquire business-related human, social and financial capital. The generation of capital was followed by the replication of a former employer's successful business model. To distinguish this unique phenomenon from other entrepreneurial practices, the concept of *offshoot migrant entrepreneurship* is proposed; the term may be used to describe migrants' transition from waged to self-employment through the replication of the business model of a former employer. In this process, the informality of the Russian economy proved to play an ambivalent role.

## Theoretical background and study context

### *Resource-based perspective on migrant entrepreneurship*

The intensified migration of the last few decades has drawn the attention of academics and policy-makers to the problem of the economic integration of newcomers (Basu and Pruthi 2021). In this regard, entrepreneurship has proved to be a popular choice among migrants; the number of migrant businesspersons exceeded the

number of self-employed natives in the US, the UK and many European member states (Basu and Pruthi 2021). Migrant entrepreneurship can be broadly defined as the commercial activities of foreign-born individuals in a host country (Vorobeva 2023). To better understand the integration trajectories of foreign-born populations, relevant studies have focused on these populations' motivations to engage in entrepreneurship (Dabic, Vlačić, Paul, Dana and Sahasranamam 2020). It was found that immigrants were often forced into self-employment due to their unsuitability for or discrimination in the labour market (Dabic *et al.* 2020; Volery 2007). According to the emerging disadvantage theory, migrants appear to be 'crucially disadvantaged even before business entry' (Ram, Jones and Villares-Varela 2017: 7). Specifically, this theory attributes the disadvantage to a lack of appropriate resources – cultural knowledge, networks and economic capital (Cederberg and Villares-Varela 2019; Dabic *et al.* 2020; Eroğlu 2018; Ram *et al.* 2017; Volery 2007). With limited available capital, migrants often have to opt for low-profit, labour-intensive, declining niche markets with low entry barriers (Ram *et al.* 2017; Verver, Passenier and Roessingh 2019).

Relatively new to the field of migration studies, the resource-based perspective on migrant entrepreneurship is still used to explore the issue of migrants' resources in depth (Eroğlu 2018). This perspective has proved to be highly relevant, as the amount and combinations of resources appear to predict the success of enterprises (Eroğlu 2018; Volery 2007; Stringfellow and Shaw 2008). This perspective stems from resource-based theory (RBT), which claims that resources are crucial for forming and preserving the competitive edge of enterprises (Barney, Ketchen and Wright 2011). Although this theory originally focused on corporate entrepreneurship, individual entrepreneurs (including migrants and transmigrants) have recently been included as important units of analysis (Barney *et al.* 2011). Indeed, 'The role of the entrepreneur is then viewed as determining, accessing and employing the appropriate resources' (Stringfellow and Shaw 2008: 139).

RBT broadly defines resources as 'bundles of tangible and intangible assets' (Barney *et al.* 2011: 1300). In migrant entrepreneurship research, these assets have been conceptualised as forms of capital, which includes both RBT and the capital theory of Bourdieu (1986). Bourdieu (1977: 178) refers to capital as 'all the goods, material and symbolic, without distinction, that present themselves as rare and worthy of being sought after in a particular social formation'. Following capital theory, social, human (or cultural) and economic forms of capital have been thoroughly researched in migrant entrepreneurship scholarship (Cederberg and Villares-Varela 2019; Ram, Theodorakopoulos and Jones 2008). To provide brief definitions, *human capital* predominantly refers to education, skills and work experience, *social capital* represents networks and social relationships and *economic capital* is embodied in cash and properties. However, the boundaries between the forms of capital are somewhat arbitrary; the forms are tightly interconnected and can be converted into one another (Cederberg and Villares-Varela 2019). The business-related forms of capital were united under the umbrella term 'entrepreneurial capital', which is used as synonymous to resources (Stringfellow and Shaw 2008). The latter is defined as 'various financial and non-financial resources necessary for the establishment, survival, sustainability and growth of small ventures' (Shaw, Marlow, Lam and Carter 2009: 26). The importance of forms of capital for migrant entrepreneurship lies in their ability to help newcomers overcome the structural disadvantages of a host state market (Cederberg and Villares-Varela 2019).

Concerned with access to rather than the generation of forms of capital, the relevant research has mostly focused on the elimination of barriers to existing resources for migrants (Cederberg and Villares-Varela 2019). In the structuralist view dominating the field, access to resources is guarded by local social and legal structures in the forms of, *inter alia*, migration policies, access to credit for non-citizens, ethnic or racial discrimination (Eroğlu 2018; Volery 2007). However, the recent, quite marginal focus on agency started exploring how individuals generate resources by taking strategic actions (Cederberg and Villares-Varela 2019). Indeed, the focus on agency can be insightful in detecting 'generative mechanisms' behind capital formation (Storti 2014: 524). In this respect, informal practices were mentioned as one of the strategies:

*In order to stay ahead and remain competitive under such conditions, the temptation to apply informal practices with respect to taxes, labor regulations, minimum wages and employing children and immigrant workers without documents is quite large (Volery 2007: 31–32).*

Nevertheless, the process of generating capital has barely been examined, with the exception of education and training (Dabic *et al.* 2020).

The available knowledge on the role of former workplaces in the generation of resources also remains scarce. Labour-market conditions were mostly discussed as motivations for self-employment. In a few available studies, former places of employment were linked to the generation of financial capital; former employment led to the accumulation of start-up capital in the form of savings (Basu and Pruthi 2021). It was also found that migrants appear to have better access to external funding if they were previously employed (Basu and Pruthi 2021). Finally, former employment was negatively correlated with entering ethnic niche markets (Ndofor and Priem 2011). However, the diverse role that a former workplace may play in the lives of migrant entrepreneurs remains largely unexamined; this gap is addressed in the current article.

### *Migrants in the Russian labour market and business sector*

Although the war in Ukraine may substantially change migration flows, to date, Russia remains one of the largest migrant-receiving states globally. Created during tsarist and Soviet times, colonial links still define migration routes in the region (Abashin 2014; Schenk 2018). The Ministry of Internal Affairs of the Russian Federation reported that, by the end of 2021, approximately 6 million foreigners were residing in the country (Internet-portal SNG 2022). In addition, the presence of a large number of irregular migrants can be expected based on data from previous years (Eraliev and Urinboyev 2020). The largest share of migrants is constituted by citizens of Central Asian countries such as Uzbekistan, Tajikistan and Kyrgyzstan (Eraliev and Urinboyev 2020). Central Asian labour migration to Russia was triggered by labour shortages and visa-free regimes on the one hand and fast-growing populations, unemployment and political instability in Central Asia on the other (Abashin 2014; Abdurakhimov 2018; Atabaeva 2018; Bahovadinova and Scarborough 2018; Denisenko 2017; Zhanaltay 2018).

Predominantly, young low-skilled men from rural areas leave Central Asia for Russia; this phenomenon received the name ‘muscle drain’, which refers to the emigration of manual workers (Abashin 2014; Bahovadinova and Scarborough 2018; Denisenko 2017; Mukomel 2013). Highly qualified migrants in Russia also join the ranks of manual labourers; suffering from downward occupational mobility, they usually have to switch from skilled to unskilled jobs after immigration (Mukomel 2017). Therefore, in Russia, Central Asian migrants are mainly employed in so-called 3D jobs (dirty, dangerous, difficult), in wholesale and retail trade, construction, personal services, agriculture and manufacturing (Mukomel 2013; Zhanaltay 2018). These industries were found to have the highest proportion of informal employment, which is broadly defined as wage employment without a signed employment contract or respective social protection (Gimpelson and Kapeliushnikov 2014; Lehmann and Zaiceva, 2013; Sangi, Freije-Rodriguez and Posarac 2019). Therefore, migrants are highly susceptible to informal employment, which makes them extremely vulnerable to abuse and exploitation (Lehmann and Zaiceva 2013; Mukomel 2013). According to some conservative estimates (Sangi *et al.* 2019), 26 per cent of migrants are employed in the informal sector in Russia compared to 16 per cent of natives; however, this number may be as high as 40 per cent (Mukomel 2017) and continues to grow (Sangi *et al.* 2019). What scholars agree on is that the working conditions of migrants are terrible; many work and ‘live in conditions close to slavery’ (Ryazantsev and Korneev 2013: 11). Numerous concerns about the

human trafficking of Central Asian migrants have been raised (Ryazantsev and Korneev 2013). Finally, in case of rights violations, migrants have no responsible authority to which they can refer to seek protection.

Despite their extreme vulnerability, some Central Asian citizens manage to acquire the necessary capital and start their own enterprises in Russia. However, studies on migrants in the Russian business sector are extremely scarce, with only a few exceptions (e.g., Kashnitsky and Demintseva 2018; Mukomel 2013). The majority of entrepreneurs seem to engage in wage employment for several years prior to launching their own businesses (Vorobeveva 2023). The most popular industries for migrant entrepreneurship proved to be food and accommodation, trade, construction and personal services (Vorobeveva 2023). The businesses are, as a rule, either micro- or small-sized and heavily rely on personal networks (Turaeva 2013). Central Asian migrants also engage in transnational entrepreneurship by taking advantage of their ties to suppliers, clients and partners in their countries of origin (Vorobeveva 2023).

Central Asian migrants face numerous constraints in access to entrepreneurial resources in Russia (Urinboyev 2018). Russia is regarded as a state with a high level of informality; it is described as a non-transparent 'economy in which the rules of the game are not easily recognized or understood' (Ledeneva 2006: 10). However, formality and informality, which are closely intertwined, represent a continuum rather than a dichotomy in the Russian economy; the formal sector may employ informal practices, while the informal sector may comply with the relevant legislation (Gimpelson and Kapeliushnikov 2014). Moreover, informality can be seen as a transitional state on the path to formalisation – Slonimczyk and Gimpelson (2015: 301) found that, for individuals, 'the chances of transitioning into a formal job are improved if the origin state is the informal sector rather than non-employment'. However, the main drawback of informality appears to be the under-utilisation of human capital and the consequent impediment to economic growth (Gimpelson and Kapeliushnikov 2014).

Informality encompasses a wide array of practices that represent 'extensions, elaborations and qualifications of rules that "solve" innumerable exchange problems not completely covered by formal rules' (North 1997: 4). In other words, it can be called a situational interpretation of formal rules that 'enables competent players to manage and manipulate the system to their own advantage' (Ledeneva 2006: 1). Informality is proven to benefit insiders at the expense of outsiders, therefore migrants often lack crucial 'navigational skills' and remain unaware of 'how to get things done' (Ledeneva 2006). However, the 'paradoxical role' of informality was previously acknowledged; it may serve as both a constraining and an enabling factor in the Russian economy (Ledeneva 2006). For instance, on the one hand, informal employment makes a migrant more susceptible to exploitation and underpayment but, on the other, it may free a person from the legal responsibilities of misusing an employer's trade secrets. Moving away from the gaze of the state and turning to the perspective of actors engaged with them, informal practices can also be seen as a manifestation of personal agency and resistance toward the inefficiencies or injustices of the state (Polese 2023).

In addition, migrants in Russia suffer from structural discrimination and xenophobia, which increases their mistrust of the Russian authorities and popularises informal practices. First, many migrants arrive with work permits that forbid them from engaging in entrepreneurship. The inability to register their own enterprise pushes migrants to stay in the shadow economy and to be involved in bribery (Urinboyev 2018). Second, due to the lack of collateral and credit history in Russia, migrants have enormous difficulty in accessing loans. Third, they face hostility from both governmental authorities and the general population. In the official narrative and mass media, migrants are often linked to the spread of infectious diseases, terrorism, crimes and promiscuous behaviour (Bahovadinova and Scarborough 2018; Bashirov 2018). In sum, these conditions negatively affect the resources that are available to migrants for business purposes.



## Methodology and data

### *Sample*

The current article is a part of a larger research project devoted to Central Asian migrant entrepreneurship in Russia. For the project, primary qualitative (36 in-depth semi-structured biographical interviews) and quantitative (162 questionnaires) data with Uzbek, Tajik and Kyrgyz migrant entrepreneurs in Moscow and St Petersburg in September–November 2021 were collected. Some of these data were used for the purposes of the current study. Out of 36 interviewees, 18 mentioned an explicit connection between wage employment and self-employment; the interviews with them were then further analysed in depth. Out of 162 questionnaires, 126 contained sufficient information on both past employment and current business operations and were selected for further analysis. As the majority of Central Asian immigrants reside in urban areas, with one-third concentrated in Moscow and its region (Ryazantsev, Bogdanov, Dobrokhleb and Lukyanets 2017), Moscow and Saint Petersburg – two main Russian business centres – were chosen as data-collection sites. The actual data collection was preceded by 15 pilot surveys and 2 pilot interviews in order to fine-tune the survey and interview questions.

Nijkamp, Sahin and Baycan-Levent (2010: 372) mentioned that studying migrant entrepreneurs is ‘not easy, as it is very difficult to obtain trust, cooperation and proper information from migrant entrepreneurs’. Therefore, ‘snowball sampling’ was applied; this was helpful for accessing the hard-to-reach social groups and building interpersonal trust (Agadjanina and Zotova 2012). Five research assistants from the respective ethnic communities were involved in this project to recruit research participants. The assistants served as mediators between respondents and me. They reached out to prospective participants through their personal networks and informed them about the project’s aims and their rights, often in their native languages. Research participants were recruited according to the following criteria: 1) First-generation migrants (foreign-born individuals); 2) Uzbek, Kyrgyz or Tajik nationality (the same as ethnicity here); 3) Ownership of a micro-, small- or medium-sized enterprise; and 4) Running a company in Moscow or Saint Petersburg. As the study has an explorative character, diversity in gender, age and industries of operation was embraced, as it provides access to the various experiences of foreign-born businesspersons in Russia.

On average, 30–40-minute interviews were conducted in the Russian language, audio-recorded and then transcribed. Because of the Covid-19 pandemic restrictions, some interviews were conducted online with the help of phone or social media tools. During the interviews, questions were asked about the motivations and circumstances of the interviewee’s immigration, employment history in Russia and process of starting and developing his or her own business. For the quantitative data, a questionnaire with 50 closed- and open-ended questions was used and typically took 10 to 20 minutes to complete. A questionnaire consisted of 17 background questions (gender, age, native language(s), year and motivations for immigration, etc.) and 33 questions regarding processes of establishment and development of a person’s own enterprise (motivations, assistance, a source of start-up capital, etc.).

All interviewees were also asked to complete the questionnaire and therefore represent an integral and representative part of the sample of survey respondents. Of the respondents, 70 per cent were male and 30 per cent female. The overwhelming majority were in the 30–49-year age group. Some 24 per cent had lived in Russia for fewer than 10 years, 49 per cent for 10–19 years and 27 per cent for 20 years or more. About 47 per cent had Russian citizenship at the time of the survey; however, this figure would probably have been lower at the time of starting the business. The average age at the time of immigration to Russia was 23 years, suggesting that their professional development took place primarily in Russia. Every third respondent had higher education; however, the majority of the educated respondents suffered from downward occupational

mobility and had to engage in manual labour as salespeople, cleaning staff and construction workers upon arrival in Russia. Therefore, the data suggest that neither higher education nor work experience in their home countries might have had a decisive and direct impact on their entrepreneurial activities in Russia. Almost all Central Asian migrants run micro- and small businesses. Almost all (90 per cent) financed the creation and development of their businesses with their own savings from previous employment.

The research received the approval of the Ethics Committee of the Research Centre for East European Studies at the University of Bremen. All research participants were informed about the goals and objectives of the current study. Information sheets were provided prior to the start of a survey or an interview. All informants granted their written or oral consent. Collected interviews and questionnaires were processed and stored in line with the University of Bremen and GDPR regulations. Specifically, the original data are stored on a server that is not connected to the internet. Within the scope of the data processing, copies were made in which all information that could lead to the identification of respondents (e.g., names) and other references were changed, abstracted or removed from the transcripts. Only these fully anonymised versions were used for the analysis.

### *Methods of data analysis*

A mixed-methods approach, which has the potential to reveal both the scale and the ‘deeper meaning’ of a studied phenomenon, was applied in this study (Guion, Diehl and McDonald 2011). The convergent parallel mixed-methods design was implemented; the collection of exploratory qualitative data was initiated first and later carried out simultaneously with a survey. Hence, the interviews 1) served as a starting point for snowball sampling and 2) guided the survey and helped to identify relevant questions and potential hypotheses to test. The goal of the survey was to generalise the results of the qualitative study.

To code and analyse the collected qualitative data, NVivo software was used. A mix of theory- and data-driven narrative analysis was conducted. Narrative analysis assists in linking different events in someone’s life in a meaningful way, as ‘people structure their experiences through stories’ (Sparkes 2005: 191). The interviews were coded according to the theory of capital – with three main nodes of human, social and financial capital. Later, these nodes were divided into 9 subnodes partially suggested by the mentioned theory and partially by the data themselves. Therefore, human capital (entitled ‘business knowledge’) was represented by business ideas, industry knowledge, business practices and managerial skills. Social capital included links to clients, employees, suppliers and mentors. Finally, financial capital (known as ‘startup capital’) had only one subgroup – ‘savings’ (money collected from wages during former employment). The results as well as the background information of the interviewees are summarised in Tables 1 and 2 in the next section.

The informants mentioned that they used the acquired resources to replicate the business models of their former employers. In other words, they moved from waged to self-employment within the same industry. This finding suggested that its relevance be tested for the wider population being studied. Therefore, the following quantitative hypotheses were formulated:

*H0: An industry of former employment has no effect on the choice of an industry of current business operation.*

*H1: There is a positive relationship between an industry of former employment and an industry of current business operation.*

As the survey identified, the respondents had extensive work experience; they may have held down several jobs previously and managed several companies currently. The professions and types of the migrants’ businesses were coded according to the Statistical Classification of Economic Activities in the European

Community, Rev. 2 (2008) (Eurostat, n.d.). In this paper, a type of economic activity is called an industry, a branch of the economy that produces similar products and services. Subsequently, 2 binary variables were created for each industry: 1 for wage employment and 1 for self-employment. The respondents mentioned 12 industries of former employment and 13 of current business operation. The most popular industries for both waged and self-employment proved to be wholesale and retail trades, accommodation and food-service activities, construction, transportation, storage and manufacturing – which is in line with the findings of previous studies (e.g., Zhanaltay 2018).

To analyse the data and test hypotheses 0 and 1, a Sankey diagram and the ‘N-1’ chi-squared test were produced with the help of SPSS software. The chi-squared test is considered to be a ‘powerful statistic that enables researchers to test hypotheses about variables measured at the nominal level’ (McHugh 2013: 149). The test is a sufficient option in the case of categorical data (in this study, cross-sectional binary data) when parametric tests cannot be applied (McHugh 2013). Moreover, while working with a small sample of binary data, one particular type of chi-square test – the ‘N-1’ chi-squared test – is believed to provide more accurate *p* values than K. Pearson’s chi-squared test or Fisher’s exact test (Busing, Weaver and Dubois 2016). Finally, while the chi-squared test demonstrates whether there is any relationship between two binary variables, the phi-coefficient determines the strength of this relationship (McHugh 2013). As this test allows expected counts of 1.00 and higher (Campbell 2007), this requirement defines the choice of industries for further analysis. In the end, 6 pairs of industries (one for former employment and one for current business operations in the same industry) – wholesale and retail trade, accommodation and food service, construction, transportation and storage, manufacturing and other services (hairdressers’ services, handyman services, etc.) – proved to be sufficient to perform the ‘N-1’ chi-squared test. The results of the quantitative analysis are presented in Figure 1 and Table 3.

## Results

### *Employment and entrepreneurial resources*

The data demonstrated that Central Asian migrants referred to their workplaces as business incubators and sources of diverse capital. They obtained a business education, learned practical skills, established networks and raised funding while working as doctors, waiters, hairdressers, salesmen and construction workers. Table 1 provides background information on the interviewees and a summary of the forms of capital they acquired during wage employment – business knowledge and social and startup capital. More particularly, all interviewees received business ideas as well as gained industry knowledge during their employment. In addition, 6 learned useful business practices and 3 acquired managerial skills. Referring to social capital, 10 interviewees left their former workplaces with client bases, 5 recruited employees among their former colleagues, 3 met their suppliers and 1 found a business mentor. Finally, the overwhelming majority started collecting start-up capital by saving money from wages during their former employment.



**Table 1. Interviewees' background, industry of previous employment and current business and forms of capital acquired at a former workplace**

N	Sex	Age	Nationality	City	Industry	Business knowledge	Social capital	Startup capital
1	m	40	Uzbek	St Petersburg	Construction	Business idea Industry knowledge	Clients	–
2	m	37	Tajik	St Petersburg	Construction	Business idea Industry knowledge Managerial skills	–	Savings
3	m	46	Kyrgyz	St Petersburg	Construction	Business idea Industry knowledge	Clients	Savings
4	f	40	Kyrgyz	St Petersburg	Other services	Business idea Industry knowledge	Clients	Savings
5	m	31	Kyrgyz	St Petersburg	Health care	Business idea Industry knowledge Business practices	Clients	Savings
6	f	29	Kyrgyz	St Petersburg	Other services	Business idea Industry knowledge	Employees	Savings
7	m	43	Kyrgyz	St Petersburg	Accommodation and food	Business idea Industry knowledge Business practices Managerial skills	Employees	Savings
8	m	35	Tajik	St Petersburg	Construction	Business idea Industry knowledge Business practices	Clients Employees	–
9	m	35	Tajik	St Petersburg	Accommodation and food	Business idea Industry knowledge	Suppliers	Savings
10	m	35	Kyrgyz	Moscow	Accommodation and food	Business idea Industry knowledge Managerial skills	Employees	–

**Table 1. Interviewees' background, industry of previous employment and current business and forms of capital acquired at a former workplace (cont.)**

N	Sex	Age	Nationality	City	Industry	Business knowledge	Social capital	Startup capital
11	m	38	Tajik	Moscow	Professional services	Business idea Industry knowledge	Employees	Savings
12	f	51	Uzbek	Moscow	Health care	Business idea Industry knowledge	Clients	Savings
13	m	29	Tajik	Moscow	Accommodation and food	Business idea Industry knowledge Business practices	–	Savings
14	m	30	Uzbek	Moscow	Professional services	Business idea Industry knowledge	Clients	–
15	f	43	Uzbek	Moscow	Trade	Business idea Industry knowledge Business practices	Clients Suppliers Mentors	Savings
16	m	38	Kyrgyz	Moscow	Sport	Business idea Industry knowledge	Clients	Savings
17	m	38	Uzbek	Moscow	Accommodation and food	Business idea Industry knowledge Business practices	–	Savings
18	f	35	Uzbek	Moscow	Trade	Business idea Industry knowledge	Clients Suppliers	–

Table 2 provides more details about how the abovementioned forms of capital were acquired. It presents the most illustrative quotations from the interviews; altogether, 18 interview fragments have been chosen to offer a deeper insight into the circumstances of capital generation. Observing business operations at their workplaces, the migrants became acquainted with the industry specifics, learned appropriate business practices, and developed business ideas for their own companies. Some interviewees climbed the career ladder and served as directors of other companies, thus acquiring necessary confidence and managerial skills (see Table 2, Section 1.4). Male Interviewee 17, who currently runs a cafe in Moscow, replied to the question about the origins of his business idea as follows (more in Table 2, Section 1.1): ‘Idea? Well, how to say, I came to work, first I was working for one person, and then I was looking [at how he was doing it], and understood, that one can do everything by himself’.

**Table 2. Forms of capital acquired at a former workplace; illustrative quotes from the interviews**

Form of capital	Details/ types	N*	Quotes from interviews
1. Business knowledge	1.1 Business idea	18	<p><i>Int. 17:</i> Idea? Well, how shall I say, I came to work, first I was working for one person and then I was looking [at how he was doing it] and I understood that one can do everything by oneself.</p> <p><i>Int. 13:</i> One of my good friends worked as a cook; he invited me to be his assistant. I worked with him for about a month and learned how to do what he taught me. And then I thought: 'Why don't I save up some money and work for myself?'</p>
	1.2 Industry knowledge	18	<p><i>Int. 9:</i> Then, slowly, I started working in the Shaverma. I slowly learned this work, studied it in depth. I opened my own business. I collected money and opened it slowly. Yes, of course, I already know this sphere too well. Too good. I've never worked at a construction site, I was only in this system.</p> <p><i>Int. 13:</i> To be honest, the first years that I worked, I just worked as a Shaverma cook, I didn't understand a lot, I even swore and fought with them [abusive costumers]. And then gradually, gradually, I realised that I don't have to fight here, I have to treat them well here. A person has come to you, you don't have to speak rudely. Gradually I realised this. I started working and then I started to understand already.</p>
	1.3 Business practices	6	<p><i>Int. 5:</i> This LLC existed but taxes were not paid anyway. He [a former employer] just told me then: 'You work, if someone comes in, I will solve all the problems. I'm doing it'. Now I understand that it was illegal anyway. There is no other way.</p> <p><i>Int. 15:</i> Usually they transfer money through the bazaar, from there [Uzbekistan] they carry our fruits here. Money was transferred through them, private transfers, you can say, private transfers were transferred. They [former employers] said, 'Here are our Uzbeks, we transport money through them and you will send it with this train or with this KAMAZ, you will pack our order like this'. No, I'm sending it via KAMAZ or by plane, there are guys there, they work a little bit in chunks, not so big [volumes]. It is good with KAMAZ trucks now, to Kazakhstan, to Kyrgyzstan, no problems. And there, yes, people meet those who work with the border, illegally. So they pass tons by there, everything is there, even dishes, sweets, all kinds of things, they pass tons by, illegally.</p>
	1.4 Managerial skills	3	<p><i>Int. 2:</i> Well, I worked for a construction company myself. I went there as a worker and in a month and a half I became a foreman. Then I rose to a construction supervisor, then I rose to a deputy director and there our interests did not coincide with the previous director of the company, who was in place. I decided to leave them and open my own company.</p> <p><i>Int. 10:</i> Well, I moved to Moscow, I studied, I studied, then I went to work. It turns out that I rose to a director, then the employees offered me to head the company, open a new one, the same.</p>

**Table 2. Forms of capital acquired at a former workplace; illustrative quotes from the interviews (cont.)**

2. Social capital	2.1 Clients	10	<p><i>Int. 3:</i> It was already through the organisation, I had already got a job in the organisation, so it gave us jobs. And then your own clientele is being developed and they [clients] are already calling without an organisation.</p> <p><i>Int. 4:</i> That is, I came first, got a job in one salon, worked there for a while. Then, after that, I went to another salon. And slowly my client base seemed to expand. And basically it got developed by, like, word of mouth, yes. I mean, everyone comes by recommendation. I do not exhibit my work anywhere, I have not placed any ads. Well, just purely recommendation. After that, I kind of had the idea to work for myself.</p>
	2.2 Employees	5	<p><i>Int. 7:</i> How did I look for employees? Initially mainly with whom I used to work, somewhere we did something together, I called them. 'Hey, come work for me'. Of course, I will give a little more salary. There will be a little less work.</p> <p><i>Int. 11:</i> And how did you look for employees? Also looked among acquaintances, among some former colleagues. Some of the guys, well, as they were recommended. Also posts via Facebook worked. I mean, word of mouth. Well, we tried through Headhunter but somehow it didn't work out yet.</p>
	2.3 Suppliers	3	<p><i>Int. 9:</i> Well, there is a firm, yes, a halal firm, which is serious, they provide almost 70 per cent of the city with halal meat. This company has already proved that the meat is excellent, good, fresh. There is a certificate. When I worked somewhere in another place, I worked with them. I've known them for a long time. I kept their phone number for myself. I thought: 'As soon as I open my own Shavarma place, I will definitely order their meat'.</p> <p><i>Int. 18:</i> I was engaged in the sale of elite sewing machines and everything that is connected with this. And in 2017, I left that company and opened my own company. I mean I have already gained experience in this field, I left with my client base and with manufacturers with whom I worked and I was just expanding my assortment.</p>
	2.4 Mentors	2	<p><i>Int. 6:</i> I see she [an employee] does her job well. The clients are already returning to her. Sometime they [employees] may also have their own salons, maybe they will talk about me.</p> <p><i>Int. 15:</i> Through these first teachers of mine [former employers], clients took my contacts through them. That's how the business started.</p>
3. Start-up capital	3.1 Savings	13	<p><i>Int. 2:</i> Well, even to do trade, funding is needed everywhere, everywhere. The most minimal [requires little financial investment] is the construction, from where you can start earning. When a person is alone, he takes a part-time job, he earned this money, the customer pays for the materials, for everything. They just pay you money, you take this money, put it aside and you start like this, about the same here. From scratch it went up. At first I worked alone, then I took one more person, then 2 people, then 3.</p> <p><i>Int. 9:</i> I've been working for a long time. I've been collecting money for a long time. How many times I wanted to open, there were always problems. I 'had to send money' home... The money I collected, I sent home and, well, it didn't work out to open it right away.</p>

Note: \* N = number of interviewees who mentioned acquiring this form of capital at a former workplace.

Moreover, the workplace proved to be an ideal place for business networking. In other words, during employment, many interviewees built essential business links with clients, suppliers, employees and mentors, which formed a strong foundation for their own companies. For example, female Interviewee 18, who currently runs a cultural project that grew out of a trade company, stated that she obtained not only industry knowledge and a business idea but also a client base and suppliers at her previous workplace (see Table 2, Sections 2.1 and 2.3):

*I was engaged in the sale of elite sewing machines and everything that is connected with this. And in 2017, I left that company and opened my own company. I mean I have already gained experience in this field, I left with my client base and with manufacturers with whom I worked, and I was just expanding my assortment.*

Furthermore, male Interviewees 7 and 11 mentioned that they recruited employees for their companies from among former colleagues. In this process, they used their knowledge about the necessary qualifications, working conditions and pay levels in the industry to make an offer that their former colleagues could not refuse (see Table 2, Section 2.2). In addition, a person may meet a business mentor at a workplace. As the data suggest, employers might be willing to serve as mentors to their workers by providing business advice and guidance. This was the case for female Interviewee 15, who was taught how to conduct cross-border trade of medicaments by her former employers (see Table 2, Section 2.4, Int. 15). Female Interviewee 6, who has a beauty salon, mentioned that she hoped her employees would also start their own salons one day with her assistance (see Table 2, Section 2.4, Int 6).

Finally, former workplaces will have provided migrants with a better understanding of the financial side of business management. This understanding is supported by the fact that the majority of the interviewees began collecting start-up capital during their employment. Therefore, they would have known how much start-up capital would be sufficient and how large any business expenditure and possible revenue could be. For example, male Interviewee 13, who currently manages a shaverma café in Moscow, mentioned that the moment he got the idea to replicate his former employer's business model, he started saving money (see Table 2, Section 1.1, Int 13). Another male, Interviewee 9, who also has a shaverma kiosk but in Saint Petersburg, described how he was saving money while working as a shaverma salesman (see Table 2, Section 3.1):

*I've been working for a long time. I've been collecting money for a long time. How many times I wanted to open, there were always problems. I 'had to send money' home... The money I collected, I sent home and, well, it didn't work out to open it right away.*

### *Entrepreneurial resources and their application*

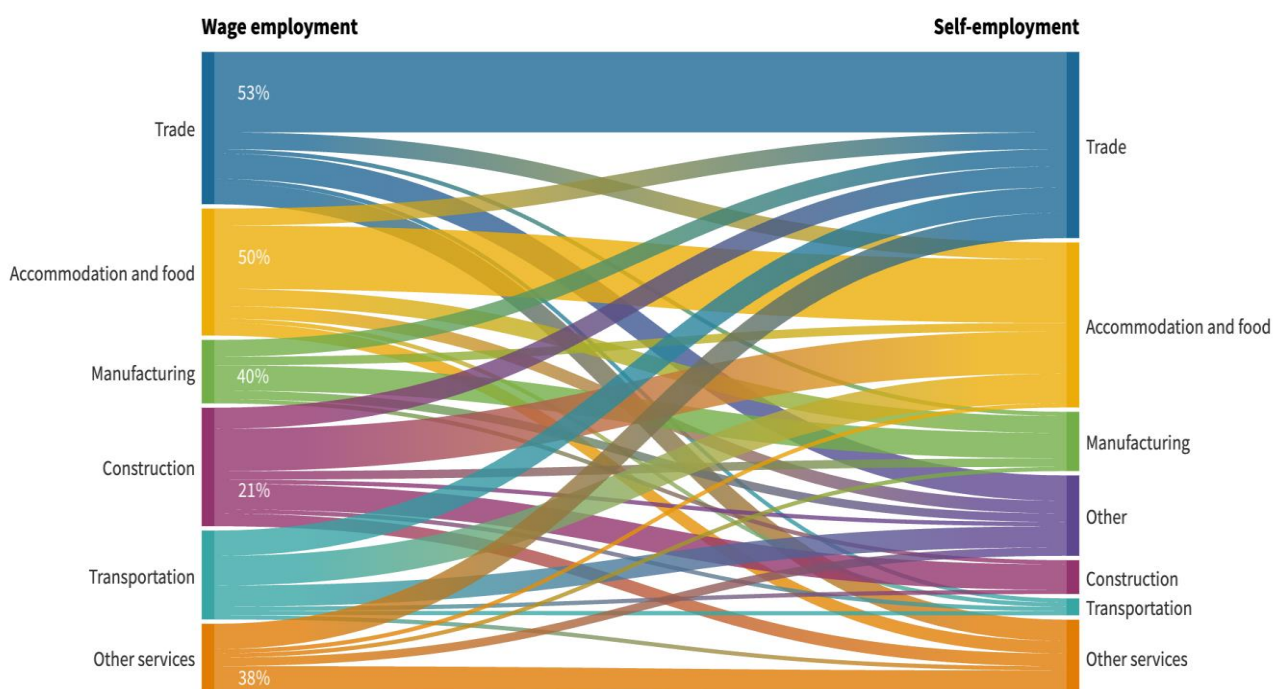
As the interviews demonstrated, the migrant entrepreneurs acquired valuable human, social and financial capital at their former workplaces. All 18 interviewees developed business ideas during their former employment; they aspired to move from waged to self-employment within the same industry. Therefore, the acquired resources were applied to replicate the successful business models of migrants' former employers. The process of replication is mentioned repeatedly in the interviews. For example, as shown in Table 2, Interviewee 18 (Section 2.3), Interviewee 17 (Section 1.1), Interviewee 9 (Section 1.2) and others stated that employment was the period of learning a business model for its further replication. Interviewee 13 described it thus:



*And one of my good friends worked as a cook, he invited me to be his assistant. I worked with him for about a month and learned how to do what he taught me. And then I thought: ‘Why don’t I save up some money and work for myself?’*

The popularity of this strategy of moving from waged to self-employment within the same industry was examined with the help of quantitative data we collected. On average, slightly more than half – 52 per cent – of respondents (66 out of 126) had work experience in the industry where their current business operated. Figure 1 visualises the intra- and inter-industrial movement of respondents from waged to self-employment. Moreover, the figure reveals the shares of those respondents who moved from waged to self-employment within the same industry – as it demonstrates, for wholesale and retail trade and accommodation and food services, 53 per cent and 50 per cent, respectively, became self-employed and did not leave the industry in which they worked. The lowest share is for transportation and storage, where only 1 respondent out of 21 started a company after having driven a taxi for a living.

**Figure 1. The intra- and inter-industrial movement of Central Asian migrants in Russia from waged to self-employment; share of respondents who started a business in an industry of former employment\***



\* For serial entrepreneurs, a business in an industry of former employment was preferred; if no such business existed, the first business listed was preferred.

\*\* Other industries (in which respondents operate their businesses) include professional services, administrative services, health care, arts and entertainment, educational services, agriculture and real estate.

Although Figure 1 points to a positive relationship between an industry of former employment and an industry of current business operation, the ‘N-1’ chi-squared test and the phi-coefficient were produced to examine the statistical significance and strength of this relationship. As shown in Table 3, all coefficients are greater than

the critical value of 3.84 for Degree of freedom 1, with the only exception being transportation and storage. It suggests enough evidence to reject Hypothesis 0; the two variables are not independent of each other. Moreover, high statistical significance was obtained for all 5 industries except for transportation and storage.

To identify the strength of this relationship, we can refer to the phi-coefficient. There are some differences that can be observed in the strength of the relationship depending on the industry. Nevertheless, as shown in Table 3, the phi-coefficients for 5 industries demonstrate a very strong positive relationship (according to the interpretation of the coefficients proposed by Akoglu (2018)). For the transportation industry, no statistically significant relationship was found.

**Table 3. Results of the ‘N-1’ chi-squared test and the phi-coefficients**

	‘N-1’ chi-squared coefficient	df	Sig.	Phi-coefficient*	Sig.
Trade	9.329	1	.002	.273	.002
Accommodation and food	12.480	1	<.001	.316	<.001
Construction	17.150	1	<.001	.370	<.001
Manufacturing	20.729	1	<.001	.407	<.001
Other services	10.088	1	.001	.284	.001
Transportation and storage	.106	1	.745	-.029	.744
Number of valid cases	126				

\* 0–+.005 weak positive relationship; >+.10 moderate positive relationship; >+.15 strong positive relationship; >+.25 very strong positive relationship (Akoglu 2018).

Therefore, based on the analysis, Hypothesis 0 can be rejected for the 5 studied industries; an industry of former employment does have an effect on the choice of an industry of current business operation. Moreover, confirmation for Hypothesis 1 was found in the data for the same 5 industries: there is, indeed, a very strong positive relationship between an industry of former employment and an industry of current business operation. Although the general tendency points to the strong connection between an industry of former employment and one of current business operation, some industry-specific differences can be observed, as demonstrated in the case of transportation and storage. Although the data do not provide an immediate explanation, the latter can be partially attributed to the fact that, for many interviewees, driving a taxi was a side job and never a primary place of employment where effective learning of the business model could occur.

### *The role of informality*

It takes time and experience to transform oneself from an outsider to a ‘competitive player’ in the informal relations of the Russian economy (Ledeneva 2006). After several years of living and working in Russia, Central Asian migrants seem to gradually acquire the knowledge of how to deal with – and even benefit from – this informality. However, the first encounters with it in Russia were disadvantageous for many migrants, who may have experienced abuse and exploitation in their first jobs. The unprotected nature of employment has hindered their professional development and the accumulation of financial capital. For example, Interviewee 3, the owner of a construction company, recalled his time as a construction worker: ‘Our employers were more

unscrupulous. And it turned out that, even for the work done, we did not receive money. Like, you work and again you earn nothing'. Informality also affects the working conditions of migrants in Russia: employment can be characterised by unregulated working hours and vaguely defined work roles. For example, female Interviewee 15 was initially hired as a packer but, over time, her responsibilities included financial operations, delivery and communication with suppliers and clients. This work involved long, irregular hours; sometimes, the interviewee had to sleep on public transport as she moved from one responsibility to another. She described her multiple duties (see also Table 2, Section 1.3, Int. 15):

*They [former employers] needed packers to pack everything. And I went to work there. And the woman, she liked my work, I do everything carefully and they showed me where to get money. They [former employers] said 'Here are our Uzbeks, we transport money through them and you will send with this train or with this KAMAZ, you will pack our order like this'. And they introduced me to everyone in the pharmaceutical company. 'We make an order by phone, they will prepare it for you and you will take the money, pay, take the goods, pack and send them'.*

However, this seemingly labour-intensive and disorganised work actually allowed for the diverse and effective learning of business operations and the generation of vital business resources. It also allowed migrants to connect with different actors in the industry and to expand their business connections. Interviewee 15 concluded that her intensive previous employment was the point at which she learned about the business industry and moved on to start her own business.

Migrants' former workplaces also seem to serve as training centres for informal practices. For example, Interviewee 17, a café owner in Moscow, learned important informal practices related to business registration during his employment. He had a work permit that did not allow him to engage in entrepreneurship according to Russian legislation. However, it was a common practice among migrant entrepreneurs to register a business under someone else's name, to which he referred when starting his own café. Female Interviewee 15, who now runs an unregistered business in the transnational trade of medication, locates her informal entrepreneurship in the broader context of the Russian business market: 'Now I can see that 99 per cent of businesses in Moscow are illegal'.

On average, the respondents worked in Russia for 7 years before starting their own businesses. With the necessary resources acquired, they were used to replicate the successful business models of the migrants' former employers. Should this not have led to fierce legal disputes between employers and their former employees? In the Western context, replication would violate the non-solicitation clause of the standard employment contract. However, since many migrants worked informally, they were free from any legal responsibility. Moreover, even if employment contracts were signed, their enforcement in the case of conflict would be extremely problematic due to the weak legal institutions in Russia. Interviewee 13, a shaverma café owner, stated that formal agreements have limited power in Russia: 'The contract doesn't matter here [in Moscow]. I say from the bottom of my heart: the contract does not matter here. Although you do it, well, in principle, it is necessary – do it'. Finally, 2 out of every 5 businesses surveyed operated informally and thus remained outside the legal sphere. Therefore, informal practices in the labour and business market, as well as the limited enforcement of agreements, allow migrants to acquire critical capital (e.g., a customer base) and to copy others' business models without facing legal action.

Moreover, moving from employment to self-employment within the same industry seems to be a proven strategy for successful business creation in Russia's non-transparent economic environment. Conversely, starting a business outside the industry of one's previous employment was discussed as a recipe for failure. For example, Interviewee 1 was employed as a construction worker before opening his own construction company. When his construction business generated high revenues, he tried to explore business opportunities

in other industries by opening a grocery store, a café and a restaurant. Unfortunately, none of them were successful. However, his construction business continued to grow and remain profitable. This led him to believe that the only way to be successful in business was to stay within the known industry of his former employment. He even recommended this effective strategy to prospective migrant entrepreneurs:

*Everyone has their own direction. If someone is destined to be a doctor, he will try to become a cook, he will not succeed anyway. Therefore, one needs to find one's own sphere and go further in this direction. If you are a cook, then open a restaurant; a doctor means open a clinic if you want to earn a lot. The driver, then make your own park.*

## Discussion and conclusions

The current study contributes to the debates on the trajectories of economic integration of immigrants in adverse, informal environments. Specifically, it explores how Central Asian migrants generate and apply business resources in Russia. Central Asian citizens proved to adopt a pro-active approach to economic integration in Russia; they took strategic actions to improve their well-being (Cederberg and Villares-Varela 2019). More particularly, they referred to their workplaces as business incubators and sources of capital where they obtained business knowledge, built networks and raised funding. This finding extends the importance of former employment for migrant entrepreneurship far beyond any financial benefits, which complements and advances previous studies (e.g., Basu and Pruthi 2021). In sum, the present research points to waged employment as a 'generative mechanism' of business capital formation (Storti 2014: 524).

In the process of resource generation, the migrants learned from and leveraged the informality of the Russian economy. In other words, during employment, many migrants turned from being outsiders into being 'competitive players' who know how 'to manipulate the system to their own advantage' (Ledeneva 2006: 1). However, informality proved to be both constraining and enabling, in line with the previous studies of, for example, Ledeneva (2006) and Polese (2023). On the one hand, it limited the methods and slowed down the processes of resource generation. Exploitation and underpayment, to which migrants are susceptible, may have resulted in them postponing their engagement in entrepreneurship (Interviewee 3). On the other hand, nonetheless, informality enabled migrants to comprehensively learn the business models of former employers as well as to appropriate resources such as client bases (Interviewee 18) and labour forces (Interviewee 7). Extending the idea of Polese (2023) of informal practices as forms of resistance, the current research suggests that informality may serve as an access gate to resources that are otherwise denied to migrants by the Russian state and society.

The acquired resources helped migrants to overcome some structural barriers to entrepreneurship, such as an insufficient legal status (Interviewee 17) (Cederberg and Villares-Varela 2019; Volery 2007). However, they appear to demonstrate a limited capacity to fight structural impediments; for example, the resources may be unable to free migrants from the labour-intensive, low-profit industries to which they are condemned due to labour-migration regulations and xenophobia (Mukomel 2013; Zhanaltay 2018). As this study has demonstrated, migrants tend to move from waged to self-employment within the same industry. Migrants' entrapment in those industries can be partially attributed to informality; each industry has its own informal practices and requires specific networks that are often unavailable to outsiders (Ledeneva 2006). Having learned the peculiarities of one business model in one industry via their employment, migrants refer to its replication as a low-risk strategy for launching a business in this non-transparent environment. Doing business outside of an industry of former employment was discussed as a probable way to fail (Interviewee 1). Therefore, the ambivalent nature of informality is reconfirmed; while it limits the choice of industries for business activities, it nevertheless provides new strategies of market adaptation and risk reduction.

The described strategy appears to be fairly common among Central Asian migrants in Russia; half of the survey respondents and half of the interviewees replicated the business models of their former employers. Therefore, to distinguish this phenomenon from other entrepreneurial practices of migrants, the current paper has proposed the use of the tentative concept of *offshoot migrant entrepreneurship*. It is closely related to terms such as spin-off and offshoot in economics; briefly defined, an offshoot is a new company created by a parent firm. However, the proposed concept of *offshoot migrant entrepreneurship* aims to focus on the initiative of an emergent migrant entrepreneur and his or her agency in the creation of a new firm. It suggests that a newly formed business offshoots from a prior enterprise by borrowing its business model, practices, resources and essential links to other parts of the business ecosystem. Therefore, based on the current research, offshoot migrant entrepreneurship can be defined as migrants' transition from waged to self-employment through the replication of a business model of a former employer. As resources have been proved to preserve the competitive edge of enterprises (Eroğlu 2018; Stringfellow and Shaw 2008; Volery 2007), effective replication is possible only when similar resources are available to those who aim for it. Due to their former roles as employees and the informality of the Russian economy, the migrants had an opportunity to generate similar resources and proceed with this replication. This concept represents the first attempt to describe the phenomenon; it requires further elaboration and welcomes contributions by other relevant studies. Is offshoot entrepreneurship inherent in informal, less-regulated markets? Is it practiced solely by migrants?

The current research also suggests several implications for practice. The study points to the need to examine the entrepreneurial activities of migrants in the broader context of their economic life in a host state. In other words, future research may pay more attention to the connections between the various stages of migrants' economic integration – for instance, employment and entrepreneurship, unemployment and entrepreneurship and maternal leave and entrepreneurship. This approach might not only help to better map trajectories of migrants' economic integration but may also facilitate more effective interventions by policy-makers. As this study suggests, to understand the business practices of migrants, one may have to refer to practices employed at their former workplaces. The spread of potentially undesirable practices may be hard to prevent unless they are eliminated in places of employment. Moreover, to free migrants from low-profit, labour-intensive niche industries and unleash their innovative business potential, the barriers to employment in innovative, high-income industries should be removed. These measures might contribute to the creation of a more-inclusive business environment in post-Soviet states and beyond.


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No conflict of interest was reported by the author.

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