

# Working paper

## Newcomer Entrepreneurship Support in Hamburg

Project:  
Newcomer Entrepreneurship Support,  
JPMorgan Chase Foundation

Project coordination:  
MPG – Migration Policy Group  
[www.newcomer-entrepreneurship.org](http://www.newcomer-entrepreneurship.org)  
[awolffhardt@migpolgroup.com](mailto:awolffhardt@migpolgroup.com)

Project partner Hamburg:  
Unternehmer ohne Grenzen e.V.  
[www.uog-ev.de](http://www.uog-ev.de)  
[b.zerdeli@uog-ev.de](mailto:b.zerdeli@uog-ev.de)  
[p.goroncy@uog-ev.de](mailto:p.goroncy@uog-ev.de)



# Note on gaps, need and the way forward - Hamburg

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## 1 Introduction and method

Methodologically, we chose to widen our perspective through insights from some of the most important players in the field of supporting migrant and refugee entrepreneurs in Hamburg.

Therefore, we had 6 semi-structured expert interviews<sup>1</sup> with 9 experts from different fields and organisations. The length of the interviews was between 30 and 45 minutes. The interview-topics were structured by a questionnaire which included both questions about the status quo of support structures in Hamburg independent of the corona pandemic and questions about the changes resulting from the corona crisis and access to federal and governmental emergency support for migrant and/or refugee entrepreneurs.

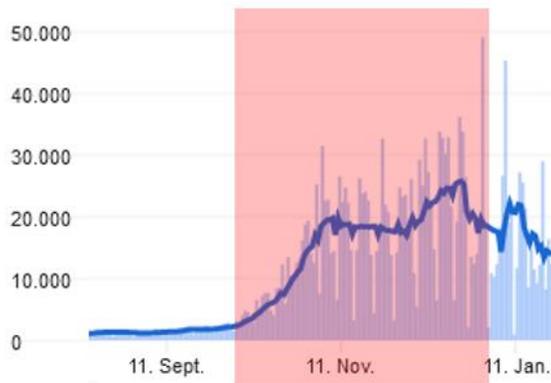
Our interview participants were experts and leaders in different fields and organisations. In addition to interviewing leaders of incubator and accelerator programs, we interviewed various other stakeholders such as experts from financial institutions, chambers of commerce, migrant interest groups, and (mostly) government-funded entrepreneur support organisations. Some organisations specialize in migrants and/or refugees. For other organisations, refugees or migrants are just one of many target groups – sometimes they get in touch through incidents rather than for purposes. Due to the recruitment process and to get more information, we decided to guarantee our interviewees that their participation will remain anonymous, which is also common in the qualitative social sciences.

As a first research result, we noticed some difficulties in finding more incubator and accelerator programs in Hamburg which are mostly addressing migrants and refugees. Even though we were able to interview leaders of refugee-orientated incubator and accelerator programs, we noticed that there was a lack of support programs for our target group in this field.

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<sup>1</sup> See e.g. Döringer, S. 2020. ‘The problem-centred expert interview’. Combining qualitative interviewing approaches for investigating implicit expert knowledge. *International Journal of Social Research Methodology*, 1-14.

The experts were interviewed in late 2020 (Nov-Dec). This information is definitely important to classify the interview results. In this global pandemic we somehow created a new normal, but it also felt like there were less constants and a lot of things constantly changing in little time frames. Therefore, we should take a moment to look back on the corona cases during this time frame and adjust our memory to put the interview results into relation:



As we can see, we had a drastic re-intensification of the situation in this time frame. We faced a second lockdown (from 2<sup>nd</sup> Nov: Lockdown light, from 16<sup>th</sup> Nov: general Lockdown) even though the businesses had little time in summer to recover from the first corona wave and lockdown.

## 2 Non COVID-19 related interview results: Supporting environment in Hamburg for entrepreneurs

### 2.1 Clients and target groups of our interviewed organisations

Only some of our interview-partner organisations are really focused only on migrants or refugees (M/R)<sup>2</sup>. Therefore, for this point, it seems useful to divide the organisations into two different groups: those that focus mainly on migrants and refugees, and those that focus on supporting entrepreneurs.

The first group of organisations (services focused on M/R) does not really track the number of their participants in order of their status as migrants or refugees. Nevertheless, they told us that there is a growing number of refugees in their everyday business. Especially over the last couple of years they noticed a rise in participants/entrepreneurs from Syria, analogous to the migration wave that mostly started in 2015. From their perspective the “business integration” went very well and fast in some cases regarding company start-ups. Overall, the interview partners of this second group mentioned the rising number of female M/R entrepreneurs: Even if they still deal very often with businessmen in the existing companies/businesses, the number of businesswomen in the consulting service for entrepreneurs has risen. There is also a noticeable change in the business ideas as women more and more start to build up companies with non-stereotypical business ideas and concepts (e.g., a company in the logistic sector).

The second group members are providing their services universal, so that migrants and refugees are only one out of many target groups. All of them were not able to give us concrete statistical information about the percentage of M/R’s, but they have noticed an increase in M/R clients over the past couple of years. We also heard from our interview partners from the finance sector, that they estimate that a high number of M/R made use of the federal and governmental corona

<sup>2</sup> The group of migrants and refugees is shortened as M/R in this paper. As a lot of our interviewees don’t differentiate between migrants and refugees in their everyday work we also conceptualized these two “groups” as one. With this said we also want to make clear that even if we talk about a “group” of migrants and refugees, this group is very heterogeneous with every individual included in this group different from one another from a lot of intersectional perspectives and dimensions.

emergency support. Because these statements were based on estimations, it was not easy for the interview partners to dig in deeper here and give us more differentiated information about the proportion or differences between migrants and refugees.

In those cases where migrants and refugees were not the main target groups, there are some obstacles for M/R's using their services, for example the language barriers: Not only are the supporting programs and consultation appointments in German, but most of the marketing material is also in German. It was also assumed that many M/R clients tend to search for M/R specialized support organisations instead of searching for a special business topic. The unemployment agencies that transfer many clients to the organisations can also be seen as filters.

## 2.2 Problem areas and barriers for entrepreneurs and supporting organisations in Hamburg

In the first part of our interviews, it was very important for us to get a picture of the status quo and the main topics which are relevant for M/R's in the supporting eco-system. We asked our interviewees not only about the important topics, but also about problem areas and barriers in their everyday work and for the M/R entrepreneurs in Hamburg.

First and foremost, **language barriers** were described as one of the main problems. Not being able to express yourself in a foreign language as you are used to in your native language is just one part of the problem. Also, a lot of marketing material, websites, forms, consultations and so on are in German. Not only are your reading or speaking skills required, but also your writing skills when it comes to write your business plan in German, which is necessary for different bureaucratic processes. This leads to another big "problem sector" our interviewees talked about: the **formal knowledge and requirements of the German bureaucratic system/administration**: e.g. to get the financing for your business project you not only need to get a lot of paperwork done in German you also have to have a business plan which requires not only some business administration knowledge but also a basic knowledge of the German business, tax and authority system. In addition to this formal system knowledge/business administrative knowledge our interviewed experts also talked about an **informal knowledge of the system**. But what do they mean with this informal knowledge? You can describe a lot of things with this term e.g.: Which authority is responsible for which matter? What is the etiquette for talking with clients, in financial institutes, with authorities?

This formal and informal knowledge is linked to another thematic sphere that is very important: the **German education system with its training certificates**. In order to run a business in Germany, not only the described formal and informal knowledge of the German system is important. Specific knowledge of the job is also fundamental for entrepreneurs. A certification of this knowledge, a professional degree is something you need to run many craft businesses, food manufactures, medical businesses and furthermore. In many cases, there is a formal process with a lot of paperwork to get an approbation. In some cases, their certificates and work experience are not considered to be equivalent to the German certificate, and further qualification and education is required.

Another hurdle lays in the **role of the Jobcenter and Agentur für Arbeit (unemployment services and authorities)**. To get funding for your business project, you not only need a business plan in German – there are many forms in this process that are also in German language. But our interviewees also told us about a lack of cultural sensitivity among these authorities: "Some business start-ups really failed because the refugee entrepreneurs did not feel treated as equal and humanly".

There is also a **lack of M/R business networks in Hamburg** that can be used as a platform and resource for building personal business networks. There are many different perspectives to consider when building these M / R business networks. For example, one of the organisations told us about

the reluctance of their program alumnis to invest a lot of time and reputation in M/R business networks. They rather want to be identified as entrepreneurs with very good and successful ideas and businesses than have the feeling to get stuck to the identification as migrant or refugee entrepreneurs. There seems to be a need or wish to break free from an internal and external identification process which is mostly based on the “status” of being a refugee or migrant.

For legal reasons, **restricted residency permissions** are also an obstacle in many ways (e.g., rental agreements can only be signed with a time limitation or loans are often denied or also limited to a very short time of repayment).

Another problem is the **lack of transparency and the fragmentation of the supporting services**. Even for the supporting organisations based in Hamburg it is not always easy to forward the requests and clients to the right organisations because there are so many with different and sometimes very specialized offers and services.

An important topic that was mentioned concerning especially with refugees was also the **psychological stress**. Not only the psychological stress from the escape itself should be taken into consideration – also the special situation for businesspeople: refugees do not really plan their move to a different country and new business venture – they are forced to do it. In conclusion, our interviewees described the long and sometimes very rocky path starting a business as even more psychologically stressful for businesspeople who have already run large and successful businesses in their hometowns.

### 2.3 Further characteristics of M/R businesses and entrepreneurs

Looking at the differences between “German” businesses and M/R businesses our interviewees reported that M/R businesses are usually more often based in **economic sectors** like retail (often food retail), gastronomy, import-export businesses, and the hotel industry.

For being successful with their consulting/supporting services the organisations told us that the **support on a close and individual level** is very important. Also, the process of mediating the clients to another supporting service should be very individual with a concrete contact person which should be already informed about the specific case in advance instead of just handing a flyer or address to the client.

We also got hints from our interviewees that there is another difference in working with the M/R clients: their **mentality of founding businesses**. Although there are definitely differences between different home countries and these statements should not be kept general (to avoid the reproduction and constitution of stereotypes), we were told that founding a business and putting an idea into practice is not as “scary” for some M/R clients as it is for some “German” founders. When it comes to making a good idea a reality, fear of the whole funding process and the financial responsibility as an entrepreneur can lead to a termination of the process. There are some M/R clients which are likely to be a little more “spirited” or “fearless” in starting up a business.

M/R clients also tend to **finance their businesses more often by using their family networks** instead of using bank loans (which was related to the bureaucratic processes and language barriers for some M/R clients that we talked about before).

### 2.4 Networking as an essential task for support organisations

For all supporting organisations interviewed, cooperation and a strong network of support contacts as well as knowledge of the “who-is-who” in the supporting system are mandatory – especially in

order to **pass clients to the next organisation or the next program**. As already mentioned, our interviewees think that a more individualized “passing process” is better than just handing out a flyer. In their view it is also very helpful to give the new contact/organisation a short informal briefing about the new client.

**Networking and to get in touch on a regular basis is kind of mandatory working in this field.**

Therefore exists a general working group with a focus on migrant businesses in Hamburg, that includes a lot of supporting organisations within Hamburg. This group was described as very helpful: not only the M/R clients but also the experts from the organisations feel that there is a **lack of transparency and a fragmentation of supporting services and programs**.

A critique came from one of the M/R focused organisations. Even if they are focused on M/R entrepreneurs, they cannot cover every request. However, being known in the network leads up to the fact, that many organisations send all clients to them just because they are from the M/R group **without checking whether they can also cover these cases thematically**.

Another expert also criticized that there is also a tendency to be a little **competitive within these networks**, as the organisations often compete for federal or governmental funding.

### 3. COVID-19 related interview results: Entrepreneurs in the crisis and accessibility to emergency support

The next big section of this paper is how the supporting organisations and M/R businesses are dealing with the Covid-19 situation.

#### 3.1 Changes in the everyday work of the supporting organisations

In this section we will take a look at how the everyday business of our interviewed stakeholder organisations have changed.

First and foremost, there is a need to **digitalize the consulting situations**. Therefore, the supporting organisations held a lot of their face-to-face appointments as Video-calls or by telephone and e-Mail. This leads to certain inequalities for people with a lower level of digitalization or access to digital hardware.

Furthermore, they noticed an **increase of demand for advice and support**. Thematically there was also a shift in topics as a lot of requests were about the **(financial) government emergency support**. Information about the different programs, which requirements they have and help with the bureaucratic formalities was needed. But also **finance-topics in general** became more and more important. Some of our interviewees also mentioned that there was still a **constantly high need for support for starting up businesses** despite the increase of financial requests and the crisis overall. From this they concluded that there is still a high willingness in starting up businesses.

Another interesting **shift is seen in the business-ideas**: there were some clients which came with new and innovative ideas to tackle some of the effects of the crisis or who adjusted their ideas and concepts to make them fit into a covid19-environment.

Regarding a **change of the clients**, our interviewed experts told us that there were more entrepreneurs who started their businesses out of unemployment. Many people became unemployed during the crisis and considered being self-employed as an option.

### 3.2 Changes in the client's businesses and their ability to benefit from the emergency support

Furthermore, we asked the experts about the changes in everyday business for the clients and entrepreneurs. Overall, they told us that because of the “cold investment climate” of financial institutions, it is much more difficult than before **to get funding to start a business** or a loan for an ongoing business. On the question how M/R businesses can tackle the crisis there were some slightly positive examples: Especially M/R-gastronomy businesses got the **switch to digitalisation** and delivery services very fast. Without spending as much money on their waiters and other staff, they were able to survive<sup>3</sup>.

We received a variety of answers to the question of how the businesses were able to use the emergency support. **It was difficult for business starters to get any financial support at all.** This particular group of entrepreneurs, which was just about to start their businesses (with already signed rental contracts etc.) often fell into the gaps of emergency support. Despite easier access to financial support from unemployment agencies, there was also an awe to use this type of governmental financial support. **Newly founded shops were also harder hit** by the crisis, as they did not have enough time to build the customer base needed to be successful e.g., on online delivery platforms.

When the businesses met the emergency support package requirements, **the percentage of M/R businesses that applied for emergency support was very high**, as one of our experts told us. They explained this with the business sectors, as M/R's are often more active in business sectors that have been hit harder by this crisis (e.g. gastronomy, hotelier, hairdresser, tailor shops). For some of these businesses, the **emergency support was just a drop in the ocean**. Many stores had to close their shop, nevertheless. Overall, the different emergency activities and their requirements were not very transparent for the entrepreneurs. They had a strong demand for information.

Overall, we got the information that the pandemic **showed the existing problems very clearly, as if looking at them with a magnifying glass**: many forms and communication in German were required in order to receive emergency support. The communication with the unemployment authorities had to intensify and got less personal as it was mostly switched to e-mail communication. The “typical” M/R business sectors were hit harder by the crisis and so on.

### 4. Final question: „What is your impression of Hamburg as a start-up location? “

In our closing question we wanted to get a conclusion and an overall assessment of the Hamburg support structure for entrepreneurs.

In conclusion, the interviewees agreed that Hamburg has many programs and invests a lot in a vivid start-up structure. However, the focus is too much on innovative start-ups instead of “traditional” non-innovative entrepreneurs. The visibility of the programs for traditional entrepreneurs and M/R start-ups was also called into question. In Hamburg and its institutions there is a need to become more culturally sensitive and to level up their (financial) support for the self-employed.

One interviewed expert also mentioned that we have to take into consideration that only a very small part of all M/R entrepreneurs are searching for supporting organisations in their founding process and we only have a very narrow and restricted view of the situation – and many who do not get support, are also becoming very successful businesses.

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<sup>3</sup> But as a result a higher number of unemployed within the group of migrants and refugees should also be taken into consideration as M/R businesses often times also have M/R employees.

## 5. Way forward: Round table results

The discussion of the Round-Table event has shown that a lot of key findings are also comparable to other cities (like Frankfurt). The following points were mainly discussed:

**The impact of Covid-19 on different business sectors varies.** Small businesses, solo entrepreneurs, gastronomy event management and the cultural sector were hit stronger than other business sectors. The speakers and participants of the Round Table also identified problems with the **formal requirements of the emergency support**. International start-ups need more language support in this area. Information and forms need to be available not only in German. A subsequent finding is here that there are a few **overall barriers for migrant entrepreneurs in Germany**; basically, in the fields of language, culture and networking. Another result of the discussion was that the **supporting environment (counselling, business plan support, finance etc.) is not as diversified as it should be**. The participants demanded here a holistic approach for Newcomers which supports them in every step on their entrepreneurial journey: from the fast-track visa to a business plan and a solid access to financial resources.

In conclusion to the round table it became clear, that even if there is a broad supporting structure and environment for Newcomer entrepreneurs they are dealing with a lot of the same difficulties, often time based on bureaucratic structures and a (not intended) concentration of Newcomer businesses on crisis-prone industries. But there are a lot of good practice examples and a longing for building up a strong supporting network within the organisations to help each other and build a lobby for their demands – like a reform of the founding process in Germany to make it more international, break down language barriers in the bureaucracy and give Newcomers the access to the financial resources they need.