

Crime pushes entrepreneurs to fly under the radar, relocate or shutter

September 12 2023



Credit: CC0 Public Domain

Entrepreneurs are often told that they need to boost the visibility of their businesses to attract more customers and grow. But in developing countries with high rates of crime, greater visibility can make them a target.

This is one of the findings from a [newly published study](#) led by Paul Sanchez-Ruiz, assistant professor of management and entrepreneurship at Iowa State University. The research team interviewed 14 participants

from Mexico, all of whom owned or co-owned a legally registered [business](#) and had been victims of [crime](#). They then analyzed [survey data](#) from 87,486 registered businesses between 2012 and 2020 through Mexico's Institute of Statistics and Geography.

Sanchez-Ruiz says business visibility includes physical markers, like signs, uniforms and marked vehicles, and routine business activities, such as weekly bank transactions and delivery routes.

"Sometimes criminals just seize an opportunity. But as the severity of the crime goes up, they really know what they are doing. They're paying attention to routines and how the business operates," says Sanchez-Ruiz.

The researchers found bank transactions were the strongest attractor of crime, and that the type of crime increased in severity as businesses became more profitable. Entrepreneurs typically responded in one of three ways: Truncating business growth, relocating or shutting down their operation.

Truncating [business growth](#) includes restricting sales, withholding investments and using older equipment or vehicles to be less attractive to criminals. Sanchez-Ruiz says this response was most common among business owners who experienced simple theft or suspected they were a target. In the paper, the researchers quote an entrepreneur from Zacatecas:

"We need to keep things simple. That way, criminals think there is not much value here."

Entrepreneurs who experienced extortion or aggravated robbery were much more likely to relocate their businesses. Moving to a less risky area may offer opportunities for growth in the long-term. But Sanchez-Ruiz points out that changing locations always comes with costs, including the

loss of current customers.

Business owners who were kidnapped were most likely to terminate their business. One of the study participants from Mexico City said,

"After what happened [being kidnapped], the only option I had was to close. Made no sense to risk it all."

Based on their findings, the researchers say changing business routines and using electronic transactions could help.

"Instead of showing up at the bank every Monday at 8 a.m., entrepreneurs may want to make those trips more random. They can also leverage [online banking](#) if there's some support, perhaps from universities or nonprofits, to learn how to use new technology and purchase equipment," explains Sanchez-Ruiz.

Personal impacts and ripple effects

Sanchez-Ruiz says this research is "very salient and speaks directly to [his] heart." Before moving to the U.S. to pursue Ph.D.'s, Sanchez-Ruiz and his wife were entrepreneurs in Mexico. They had a business selling handbags and purses, and part of their mission was to hire and empower women.

But one night when they were about to close the shop, two men entered and pulled out guns. They stole laptops, cellphones, money and inventory. In response, Sanchez-Ruiz and his wife added [security cameras](#) and bars over the windows; they also changed their routines and made bank deposits randomly. But that night rattled their trust, and a few years later, they decided to close their business.

Sanchez-Ruiz emphasizes that policymakers need to recognize how

crime—and the way [business owners](#) respond to it—cause ripple effects across local and regional economies. Limiting growth, relocating a business or shutting it down results in lost job opportunities, services and taxes. But he hopes this research also helps people better grasp the day-to-day reality for many [entrepreneurs](#).

At the end of the paper, Sanchez-Ruiz and his co-authors write:

"Sadly, as we were conducting this research, one of the [entrepreneur](#) participants scheduled for an interview was killed by criminals one day before our planned meeting. This incident hit home for us, making clear in very real terms that entrepreneurship attracting crime is not simply an abstract theoretical idea but a life-altering—and in some cases a life-ending—reality for those who experience it."

The study is published in the *Journal of Business Venturing*.

More information: Paul Sanchez-Ruiz et al, Entrepreneurs as prime targets: Insights from Mexican ventures on the link between venture visibility and crime of varying severity, *Journal of Business Venturing* (2023). [DOI: 10.1016/j.jbusvent.2023.106339](https://doi.org/10.1016/j.jbusvent.2023.106339)

Provided by Iowa State University

Citation: Crime pushes entrepreneurs to fly under the radar, relocate or shutter (2023, September 12) retrieved 30 April 2024 from <https://phys.org/news/2023-09-crime-entrepreneurs-fly-radar-relocate.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.