Entrepreneur & Innovation Exchange
Published online at EIX.org on December 09 2024
DOI: 10.32617/1168-6757004f742e0

How Business Owners Survive in Crime-Prone Regions

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KEYWORDS: Journal of Business Venturing, How to grow your business, How to start a business.

Activities like selling in physical stores, regular trips to the bank, driving company cars, and talking openly about business growth can make business owners targets.

EDITOR'S NOTE: This article was produced in partnership with the Journal of Business Venturing, a leading journal in the field of entrepreneurship, as part of EIX's mission to bring research-proven insights and practical advice to our readers. A link to the complete research can be found at the end of this article.

In Puebla, Mexico, a woman opened a food business that became very successful. Her store hummed with activity from customers and employees. As her prosperity grew, she began enjoying the fruits of her labor and treating herself to luxury products. But street criminals operating nearby began to notice her success and saw an opportunity. Soon, some employees were robbed as they left work. The owner began receiving calls requesting money for "protection" and she worried about her children's safety.

Entrepreneurs operating in high-crime areas frequently face substantial and continuous threats, such as theft, extortion, and kidnapping. These criminal pressures vary in severity and significantly influence business decisions (e.g., to pursue growth, exit, or relocation), particularly for formal ventures that operate in visible ways.

In a study we conducted, which was recently published in the *Journal of Business Venturing*, we set out to address the impact of crime on entrepreneurs in developing economies, particularly in Mexico. Few studies have looked at formal businesses in crime-prone regions and the real-world economic consequences associated with crime and economic stability. More research on this topic is important because it adds to our understanding of how developing economies transition into market-based economies, and what might stand in their way.

Specifically, our research focused on how routine business activities, which tend to increase a business venture's visibility, can inadvertently attract criminal attention. We also looked at the business decisions that entrepreneurs made in this environment, and how crime hindered their success.

Our research revealed that entrepreneurs with growing ventures can only hide their success to an extent. Naturally, a growing business attracts attention, and this unwanted attention from criminals may threaten the business and potentially limit the growth and scale of the venture.

What We Studied

Mexico is classified by the World Bank as a developing economy. However, it is one of the world's largest economies, and, like many developing nations, the country is plagued by high levels of criminal activity. Robberies, extortions, and kidnappings are common in many areas of Mexico, and the pattern has prevailed for years. Like other developing nations, Mexico also has relatively weak laws and formal institutions of the kind that help to keep people honest. We call such laws and institutions "capable guardians" of public safety. Taken together, these factors made Mexico a compelling setting for a study that focused on how crime affects entrepreneurial activity.

We used data from the Encuesta Nacional de

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Victimización de Empresas (ENVE), a national survey conducted in Mexico, which gathered responses from 87,486 entrepreneur-led ventures. This biennial survey, conducted from 2012 to 2020, captured business owners' experiences with crime and their responses. We focused on several key areas: routine activities (e.g., cash handling, public sales), crime severity (ranging from theft to extortion and kidnapping), and entrepreneurs' responses to these threats (e.g., limiting growth, relocating, or closing the business).

We also talked with 14 entrepreneurs who had been victims of crime about their routines and their encounters with criminals. For example, one restaurant owner in Mexico City was kidnapped, physically assaulted, and coerced into surrendering cash, car titles, and valuables. The crime escalated with threats against his daughters, prompting him to conceal signs of wealth and abandon predictable cash deposit routines.

Similarly, a beauty business owner in Guadalajara was violently robbed after criminals posing as vendors gained access to his warehouse. Following the attack, he limited access to his buildings and became more vigilant about suspicious activity. These stories highlight the severe challenges entrepreneurs face and the adaptive strategies they employ in response to pervasive threats.

What We Found

The study revealed several critical insights. One is that the more visible routine business activities increase the likelihood of a venture experiencing crime. Actions like cash handling and public transactions (such as making transactions at a bank, selling at a central market or shopping center, moving products in industrial parks, and transporting goods on roads and highways) increased visibility and thus the likelihood of being targeted.

Among all these activities, making bank transactions was the strongest predictor of crime risk. This makes a strong case for avoiding physical banks and using digital banking whenever possible.

Our biggest surprise was that even protective measures, like installing security systems and cameras, can backfire because they signal to smart and motivated criminals that the business has valuables worth protecting. In short, the higher visibility from these activities made businesses more likely to be a target of criminals.

We also saw that that crime functions as an informal institutional pressure (i.e., consistently on the mind of an entrepreneur in Mexico), forcing entrepreneurs in high-crime environments to adapt in unexpected ways, which do not follow common logic associated with successful business ventures (such as shutting down the business or restricting growth).

Crime severity also affected business decisions. More severe crimes led entrepreneurs to abandon plans for growth, relocate, or even discontinue operations, indicating a shift from typical growth-focused entrepreneurial strategies.

"Business stagnation has come as the result of the high levels of crime," one of our interview subjects told us. "We actively decided to keep things simple and are doing so because it is the right path given the current situation in the country. We deliberately haven't hired employees for the past couple of years."

These findings were expected in some respects, but the extent to which entrepreneurs modified business practices to avoid criminal attention was surprising to us. Many entrepreneurs prioritized safety over entrepreneurial growth, challenging the traditional expansion-oriented view of entrepreneurship and giving credence to the growing literature on entrepreneurial well-being. One entrepreneur told us: "I was able to think for myself and family. No matter what, we can fly low and simply survive. If we decide we do not like it, we can always move onto the next chapter."

Our work primarily highlights practical issues in terms of growth and profitability as it relates to entrepreneurs experiencing crime. However, our interviews also indicate the importance of family, safety, and well-being as complementary drivers of these business decisions.

Takeaways

Entrepreneurs in high-crime areas can apply several strategies based on this research to improve resilience:

- **Minimize visibility:** Avoid predictable routines, especially for cash handling and visible transactions.
- **Seek digital alternatives for routine transactions**: Shift banking and marketplace

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EIX.org (2024)
DOI: 10.32617/1168-6757004f742e0

activities to the digital space to reduce physical presence and visibility to potential criminals.
- **Embrace discreet growth**: Expand cautiously, and consider remote or digital channels to limit public presence.
- **Consider relocation**: High-crime areas may necessitate a strategic move to safer regions if crime impacts business viability.
- **Proactive security measures**: Invest in security essentials and establish a crime-response plan, balancing business growth with safety.
- **Build local networks**: Engage with community leaders and trusted local law enforcement officials to strengthen security ties and stay informed.
- **Adopt anonymity in transactions**: Use non-distinctive vehicles and anonymous delivery methods to minimize attention during business operations and avoid drawing the interest of criminals.
- **Don’t look wealthy**: Don't brag about your wealth, and refrain from showcasing indicators of success, such as luxury goods or high-profile business premises, to reduce the likelihood of being targeted.
- **Modify routine activities**: Change the time, day, and personnel involved in tasks that increase visibility, particularly banking activities, to lower the chances of becoming prime targets for criminal attention.
- **Develop unique operating practices**: Entrepreneurs may need to innovate and adopt unconventional practices to operate without triggering the interest of criminal syndicates.
- **Educate and train employees**: Ensure that all employees understand security protocols and are trained on recognizing suspicious behaviors that may signal criminal activity.
- **Monitor crime trends**: Keep abreast of local crime patterns and adapt business operations accordingly to anticipate and mitigate risks.

It’s clear that entrepreneurs in high-crime areas should adopt flexible, low-profile business strategies to “fly under the radar.” This includes reducing conspicuous displays of success, using unmarked vehicles for deliveries, and limiting public information about financial success.

This becomes more challenging once the business grows or seeks growth internationally. Here, given that crime can act as an informal institution, we recommend that government policy be oriented towards protecting small businesses from crime, thus instilling confidence in formal institutions. We hope that our work helps to inform community leaders and policymakers about how crime severity compels strategic retrenchment, leading entrepreneurs to prioritize safety over entrepreneurial growth.

Explore the Research

Entrepreneurs as prime targets: Insights from Mexican ventures on the link between venture visibility and crime of varying severity (https://www.sciencedirect.com/science/article/abs/pii/S0883902623000538) Journal of Business Venturing, November 2023.

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