The Impact of Resources embedded in Diaspora Networks on a Venture’s Success

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Abstract

The study conducted the following main questions: How could the diaspora network creates social capital and how does it influence on the success of diaspora entrepreneurs setting up their business outside of their country of origin? Work ethics, religious beliefs, countries values and spirit of landsman are considered to be sources of social capital which strengthens the link of diaspora networks and help their business succeed and grow. To verify the connections between social capital embedded in diaspora networks and the success of a diaspora’s business, the authors conducted five individual case studies. Empirical evidences show that without the assistance of diaspora’s fellow countrymen, their business could not have founded successfully.

Keywords: Diaspora entrepreneurs, diaspora networks, resources, success in venture, country of origin

1 Introduction

With more than 215 million people living outside of their country of birth (World Bank 2011:12), migration and its impact and importance for economic development becomes a growing topic. While the reasons and motives for people leaving their country of birth vary drastically, one can observe that the need of developed countries for compensating their ageing societies paired with the ongoing instability in many developing countries has certainly boosted the recent grow in migrational movement (Vemuri 2014:2).

Whatever the cause for individual migrational endeavours may be, the gradually progressing globalization allows migrants to stay in touch with their homeland, its culture and its people. This boundary maintenance is what constitutes diasporas. While diaspora is an old term, originally signifying the exile of ancient Jews from their home country, it has long been used to discuss historic developments rather than researching its significance in present societies that consisted to a large part of immigrants (Safran 1991:83).

However this ignorance towards the concept of diaspora has changed. In the last decades a growing number of researchers have highlighted the various levels of impact that a well-connected diaspora can have on the country of residence and the country of origin. Not surprisingly these studies have often focussed on the transfer of money from one country to another, since the number of remittance sent from migrants to their respective home country triples the cumulated number of received official development assistance by developing countries (World Bank 2011:17). Another well-researched aspect of diasporas is its role as a measure to counter the ongoing problem of brain drain, a term that refers to the emigration of high-skilled individuals from developing countries and causes a massive barrier for development in these countries (Docquier 2014:2). Studies have suggested that through an organised use of diaspora networks, developing countries might be able to turn the harming brain drain into a beneficial brain gain by relying on the knowledge and experience that emigrated countrymen made abroad (Meyer 2001:105).

Another topic of growing importance and the foundation of this paper is the examination of diasporas as networks with embedded resources that support economic development. The need to consider diaspora networks as a significant variable when researching international business becomes clear when considering the aforementioned 215 million people living outside their country of birth are only the first generation of immigrants. Taking into account the second and maybe third generation of immigrants one can imagine the considerable size that certain diaspora networks have (Elo 2014:2). The problem with researching diaspora networks comes with the steadily widening definition of that term. While the initial usage referred to only Jewish people it has been stretched especially in the last decades to describe various migrational movements and its effects to the point where it today is often used in cases without cross-border migration. Following Brubaker (2005) the term itself has experienced a form of dispersion (Brubaker 2005:1). The two major issues that make a scientific accounting of the state of diaspora networks and thus its impact on economic phenomena difficult, is the question whether or not migration has to be transnational and if temporary

4 Contact person: Philip Werner, University of Bremen, philip.werner@uni-bremen.de.
migrants can be considered part of a diaspora (Usher 2005:47). Although there is still no consensus among researchers how the term diaspora can be defined, there are already implications that diaspora networks play a major role in migrational entrepreneurship and the likelihood that businesses founded by migrants succeed. On the one hand migrants obviously face a multitude of challenges when they attempt to found a venture outside their country of origin. These challenges include but are not limited to different business environments and mannerisms, varying legal and institutional frameworks and also cultural obstacles (Riddle et al. 2010:399). On the other hand migrant entrepreneurs can turn these exact challenges around and use their intimate knowledge of two (or more) often vastly different cultures to create and seek economic opportunities for themselves and others (Drori et al. 2006:1). On an aggregated level these economically strong and well-connected diasporas can act as a channel through which knowledge and money can flow back to the respective countries of origin if nothing else due to the enhanced level of trust that is brought towards Diasporans compared to multinational investors or foreign governments (Kuznetsova 2005:4). This shows that there is an undeniable value in assessing and supporting the growth and potential of diaspora networks for policy makers. However what is often forgotten is the value that a diaspora network can provide for an individual entrepreneur and its probability to found a successful business. While it is certainly valuable to highlight the importance that a diaspora can have particularly for developing countries, one must not forget that a migrant possesses a unique set of skills, relationships and opportunities that can provide a significant advantage over competitors and that often stems from resources embedded inside of a diaspora network (Dutia 2006:6). How these resources are explored and put to use by entrepreneurs is one of the main research objectives of this paper.

Furthermore most discussions regarding diaspora entrepreneurship focus on cases where the individual migrated from a developing to a developed country, but these are often cases where the entrepreneur founded out of pure necessity rather than actively trying to benefit from his status as a Diasporan (Harima 2014:66). The reverse case, where an entrepreneur migrates from a developed to a lesser developed country is referred to as descending diaspora entrepreneurship (Harima 2014:66) and shall be the second foundation of this paper.

To analyze the importance of diaspora networks for entrepreneurs in a descending migration context this paper has been titled: ‘The impact of resources embedded in diaspora networks on a venture’s success. To give an answer on this topic the paper will answer the following sub-questions:

- Do migrants identify themselves as being part of a Diaspora?
- Do or did they actively seek contact to fellow countrymen (to help the setup of their business)?
- What benefits does a diaspora network hold (for them)?

These questions should provide information about the general awareness of Diasporans but also the utility for individuals in different environments. This paper understands itself as a stepping stone for further research. The aim is to find early implications based on case work and to provide a link for further extensive research.

To answer its research question the paper is organised as follows: First an overview of the conceptual foundations of this research, namely existing literature of diaspora networks, the resources embedded in diaspora networks and their influence on a venture’s success, which are derived in this case from the model of social capital and finally the characteristics of descending diaspora entrepreneurship. Then after a methodological introduction, a presentation of the findings from the case studies, that are subsequently discussed and contrasted with one another to give an example of similarities and differences observed in the data but also to locate the results in previous findings from other authors. Eventually a conclusion on what this paper provided, but also what limitations it hold and where further research is necessary.

2 Theoretical and Conceptual Background

This part of the paper is dealing first with the theoretical, subsequently with the conceptual background of this research study. The research question is bearing three major aspects, which had an immense impact on developing it. These aspects, which are all academic fields for themselves, are

- Diaspora Entrepreneurship
- Descending Migration
- Social Capital
These concepts will be clarified for a better understanding in the following.

2.1 Diaspora Entrepreneurship

Diaspora entrepreneurship consists of two words, which are “Diaspora” and “Entrepreneurship”. Entrepreneurship is referred to as “[…] managerial complexes of tasks, which need to be supervised to specific adoptions for generating new institutionalized basics of business to successfully shape this process from its creating until it’s sustainable establishment” (Freiling 2006:16f.).

The term “Diaspora” refers to a cross-border process and requires a closer consideration (Faist 2010:9). Diaspora has recently undergone dramatic change and its uses and meanings have evolved during time. It is an old concept, initially referred only to the dispersion or migration of particular religious and national groups, specifically Jews and Armenians, living outside their homeland (Faist 2010:9ff.).

“The paradigmatic case was, of course, the Jewish diaspora; some dictionary definitions of diaspora, until recently, did not simply illustrate but defined the word with reference to that case” (Brubaker 2005:2).

After this religious approach, the one of homeland orientation followed. Diasporans “[…] continue in various ways to relate to that homeland and their ethnocommunal consciousness and solidarity are in an important way defined by the existence of such a relationship” (Cohen 2008:6).

The next approach is general migration, as Weinar (2010) states:

“Recently, however, a growing body of literature succeeded in reformulating the definition, framing diaspora as almost any population on the move and no longer referring to the specific context of their existence” (Weinar 2010:75).

The current state of approach is the professional diaspora, as described by Meyer and Brown (1999):

“[…] networks having an explicit purpose of connecting the expatriates amongst themselves and with the country of origin and of promoting the exchange of skills and knowledge” (Meyer, Brown 1999:5).

At length, all definitions have three characteristics in common. Each of these can be segmented into older and newer usages. The first one regards the causes of migration or dispersal. Old notions relate to forced dispersal. Such was the case with Jews. New conceptions simply relate to any kind of dispersal, as happened with Chinese or Mexicans in case of labor migration. The second characteristic connects cross-border experiences of homeland with that of destination. In older notions, this means the returns to homeland. In newer ones strong links across borders (Faist 2010:12). The third characteristic relates to the incorporation or integration of migrants into the countries of settlement. Old notions profess restraints in fully integrating Diasporans socially in the country of settlement. Newer notions highlight the cultural hybridity in the wake of dispersion (Faist 2010:13).

After explaining the terms Diaspora and Entrepreneurship, Dutia (2012) offers a proper definition of “Diaspora Entrepreneurship”:

“The biggest edge Diaspora entrepreneurs have is their ability to establish social links through cultural and linguistic commonalities. With intimate understanding of cultural and social norms, distinct business cultures, and local languages, Diaspora Entrepreneurs form trusted bonds and unlock opportunities often closed or unknown to other entrepreneurs” (Dutia 2012:6).

To sum up the term diaspora entrepreneurship, the authors understand diaspora entrepreneurs as individuals who maintain a strong relationship to their country of origin. They seek and use opportunities to benefit from their unique status of living in multiple cultures.

2.2 Descending Migration

Descending migration is formerly known as “Rich-2-Poor-Entrepreneurship”. Due to political correctness, researchers have decided to use the terminology descending migration. Descending migration has one condition: Transnational entrepreneurship must have taken place. A process, which involves entrepreneurial activities, performed across national borders, with their performers embedded in at least two different social and economic spheres (Drori, Honig, and Wright 2009:1001).

“Transnational Entrepreneurs (TEs) are individuals that migrate from one country to another, concurrently maintaining business-related linkages with their former country of origin, and currently adopted countries and communities” (Drori, Honig, Wright 2009:1001).

Fulfilling this condition, descending migration refers to entrepreneurs whose countries of origin are developed countries, migrating to countries of residence. These migration processes are called either colonial style diaspora entrepreneurship in
case of migrating to a developing country, or a pioneer style diaspora entrepreneurship if migrating to an emerging country (Elo 2013:8).

2.3 Social Capital

Social capital has various meanings, what aggravates the defining of this term. Since this term contains the word capital, initial thoughts were that of a utility created out of the embedded resources in social relationships (Hennig 2010:181). Given this, the proper definition of social capital is the following:

“The sum of current and potential resources which are connected through the participation in social relationships” (Bourdieu 1992:63).

Hennig (2010) claims that social capital contains four elements: Information, influence, social recommendation and reinforcement. These illustrate that social capital in terms of personal capital in instrumental and expressive actions is not measurable or billable like economic or human capital (Hennig 2010:178).

In addition, Haug (2000) states there is a choice given between two fundamental manners of use:

- Social Capital at an individual level (micro-approach): Here, the benefit for an individual person growing by exchanges within social networks is paramount in the analysis. Contacts can be helpful to access information and support. Several aspects are crucial for the extent of social relationships: The existence of a relationship, art and intensity of the relationship to the contact and the possibility to access resources (Information, benefits etc.) through the contact (Haug 2000:7).

- Social Capital at a collective level (macro-approach): Herein, social capital of a society or community lies within mutual assistance and social control, both having a positive impact for the whole group. Based on the application of migration, the emphasis is on the meaning of ethnic communities in different areas of life of migrants, e.g. solidarity among them through identification with the group (Haug 2000:7).

A fundamental problem of macro-approaches in general and in particular is the lack in explanation in migration theories. Also an explicit specification of mechanisms on the micro-level is missing. Further, macro-approaches take into consideration structural conditions such as wage level and unemployment rate for migration streams, but neglect action-theoretical assumptions. This involves the danger of an ecological fallacy (Haug 2000:5). Therefore and in virtue of the defined objectives this research paper focuses mainly on the individual level.

As a consequence, three main aspects of social capital can be extracted as:

1. Resources embedded in social structures.
2. Accessibility to these structures through individuals and 3. The utilization or mobilization of such resources through individuals in goal-oriented actions. Thereby the term social capital combines three elements in the interaction of structure and action: structure (embeddedness), opportunities (accessibility) and action orientation (use) (Hennig 2010:181).

To arrive at an understanding of the social capital theory, it is helpful to take a look at social networks, since networks are instrumental for the production and usage of social capital. Therefore, an exposition of networks will follow below.

A network is basically a collection of points put together in pairs by lines. In technical jargon the points are referred to as “vertices” and the lines as “edges” (Newman 2010:1). Newman (2010) names particularly four of the most commonly studied networks which will be covered below: Technological networks, social networks and information networks, but there will be no further commenting on the last, the biological networks.

Technological networks are physical infrastructure networks which have sophisticated over the past decades and form the backbone of modern technological societies (Newman 2010:17). One technological network, which is studied most, is the Internet (Newman 2010:28). It is a global network of electrical, optical and wireless data links, connecting computers and other information devices together (Newman 2010:17).

“Social networks are networks in which the vertices are people, or sometimes groups of people, and the edges represent some form of social interaction between them, such as friendship” (Newman 2010:36).

However, social networks include a variety of possible definitions of an edge in such a network. What particular definition will be used depends on what specific question is going to be asked. Edges can be illustrated by friendship between individuals, work-related relationships, but also the exchange of goods or money, communication patterns, romantic or sexual relationships and even more types of connections (Newman 2010:37).

Next are networks of information. These are composed of data items connected together in different ways. The most famous example is the World Wide Web.
“The Web is a network in which the vertices are web pages consisting of text, pictures, or other information and the edges are the hyperlinks that allow us to navigate from page to page” (Newman 2010:63).

Additionally, there is an existence of information networks combining social aspects, so-called social-networking online platforms like Facebook. It should be mentioned here, that the categorization of social and information networks has very fluent demarcations. These two categories may overlap in their characteristics (Newman 2010:63).

To conclude, it can be recorded that networks have various manifestations due to their heterogeneous nature. This paper treats diaspora networks as any kind of relation between diaspora entrepreneurs, in which they exchange views on their businesses and lives in general. Diaspora networks can appear as formal organizations in terms of a registered association, holding official meetings or summits on a regular basis, groups on social-networking online platforms etc. Also non-formal networks are in common, for instance the gathering of diaspora and non-diaspora entrepreneurs in a locality. Some Diasporans even meet each other without a real intention of exchanging information of business rather than doing another activity, like sports. Talks of businesses are held more likely on occasion. In some cases, it might appear that Diasporans are already part of a network without them actually knowing it. They “slip” into networks but are not aware of this affiliation. It should be beared in mind that diaspora Entrepreneurs not necessarily have to come from the same country of origin. Entrepreneurs from all over the globe can become part of a (diaspora) network, for example when Europeans converge to a network in Middle East countries because of common religion or similarities in culture.

As mentioned above, social capital is embedded in social structures, which accommodate social relations. These again are reflected in a variety of networks. Thus, social capital can be seen as a network trait (Drori, Honig, and Wright 2009:1011). Drori, Honig and Wright (2009) indicate three fields for simultaneous network formation: Network of origin (ethnic, national), network of destination, and network of industry. The choice to select the destination, but also the arrangement and acclimatization to a new environment belong to the network of origin. In case of TE, having ties to two different economies results in the formation of networks of economic migrants, with its structures linking migrants, former migrants and non-migrants, also serving them support mechanisms in origin and destination countries.

In networks of destination, immigrants tend to migrate to those particular countries, in which relationships are already established. So they can drain from existing social capital in terms of affection and trust built there, reducing risks and uncertainties and enhancing (cross-border) business opportunities at once. Furthermore these networks are able to transfer social capital and other resources back to the country of origin through cross-border networks (Drori, Honig, and Wright 2009:1012).

Networks of industry bear as well much social capital. There is a frequent dissemination of contextual knowledge within certain circles of men bordered by common language and restricted by specific methods of distribution (Drori, Honig, and Wright 2009:1012). Likewise, these border-crossing “networks of practice”, as Barley and Kunda (2004) name them, provide access to crucial resources including jobs, knowledge and customers, if both trust and reputation is granted in their occupational communities (Barley, Kunda 2004:271).

2.4 Conceptual Background

This paragraph deals with the current state of research. It provides a brief insight into six previous scientific works of researchers. The following authors are chosen particularly because of investigating the link between the research streams of diaspora entrepreneurship, social capital and diaspora networks, which not only were crucial to develop the research question of this paper, but also are fundamental for understanding it. The authors of this paper have identified the following research gap in the academics of diaspora entrepreneurship and social capital: The correlation between the success of a diaspora entrepreneur’s business and his/her social capital has not been investigated yet. Therefore, the authors assume that social capital embedded in social relationships within a Diaspora network might have an impact on the key success factors of the diaspora entrepreneur’s businesses. The investigation outlined here is intended to help close this research gap with an economic approach by solving the major research question, mentioned at the beginning of this paper.
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<th>Author/Title of Paper</th>
<th>Insights/Findings</th>
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| **Gordon C. K. Cheung (2004):** | - The Chinese had the social capital necessary to thrive in business despite the absence of an effective framework of laws and institutions supporting a capitalist economy.  
- To a large extent, social relations and networks among Chinese diaspora are kept and even reinforced by the upheld of their strong ethnic identity.  
- The Chinese diaspora in Southeast Asia lack formal institutions to organize themselves. Information, welfare facilities, social affairs and business activities are maintained through various social networks.  
(Cheung, 2004:676,679) |
| **The Africa-Europe Platform (Eds.) (2013):** | - Diaspora entrepreneurship taps into social capital through cultural and linguistic understanding.  
- The knowledge of local (business) culture, norms and values, and language expertise creates social capital by virtue of cultural and linguistic understanding.  
- Added value of diaspora in relation to business & development: advanced business development, job creation, innovation resulting from spin-off actions. |
| **Natalia Kühn (2010):** | - Migration networks are constituted through interpersonal bonds between former, current and potential migrants, groups and organizations in sending and host countries, which are linked through relatives, friendship or even weak social ties.  
- The size of networks is essential to socialize and to update social capital. The more ties an individual has, the higher his social capital.  
- Transnational networks of family and friends are seen as a sort of adaption and survival strategy by most actors when faced with global challenges.  
- For migrants, diaspora offers an ideal and tangible support in their daily life. For host countries, diaspora represents a migrant lobby and pool of intermediaries. For home countries, it represents a not to be underestimated tangible and human resources.  
(Kühn, 2010:527f,293) |
| **Rocio Allaga-Isla, Alex Rialp (2012):** | - Social capital is an important factor in a business being set up by immigrants. A large variety of information is transmitted between immigrants, such as data on business opportunities, laws and licenses, suppliers, and job opportunities.  
- The decisions to set up a business is based on informal information and trust in the diaspora's countrymen. These findings are consistent with those obtained through other studies found in literature, which point out that immigrants trust their countrymen when seeking information related to jobs, legal issues, or about black market operations.  
(Allaga-Isla, Rialp, 2012:64,72f.) |
| **Sonja Haug (2007):** | - Social integration in the host country is related to social capital.  
- The social integration in ethnic communities is correlated to social capital which arises by exchanging transfers of resources out of solidarity, moral principles and reciprocity norms.  
- Social capital can be measured by resources available to an individual and by relationship strength.  
- Distinction between host country specific and home country specific social capital.  
(Haug, 2007:5,9,104) |
| **Lisel Riddle, George A. Hriňák, Tjai M. Nielsen (2010):** | - Building social capital involves identifying, establishing, and continuing to develop a network of contacts in order to catalyze entrepreneurial activity, business development, financing and investment, and institutional and regulatory environment management. In essence, social capital serves as a foundation from which other forms of capital can be acquired.  
- Entrepreneurs, especially early in the start-up process, should develop a network of other entrepreneurs, consultants, and advisors that they can readily access for advice and assistance.  
(Riddle, Hriňák, Nielsen 2010:406) |
3 Methodology

3.1 Theoretical basics and practical use of methodology

In order to research properly convenient methods are necessary. First of all one must examine whether qualitative approaches or quantitative approaches are appropriate to answer one’s research question. The main differences between qualitative approaches and quantitative approaches are visualised in the following chart.

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<td>Laboratory</td>
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<td>Inductive</td>
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<td>Particular</td>
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<td>Sample</td>
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<td>Behavior</td>
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Table 2: Contrastive pairs between qualitative and quantitative approaches (Source: Bortz, Döring, 2006: 299)

Due to the research question an explorative approach is the most appropriate to use. The interview is used as the data collection method. The advantages and disadvantages of an interview are displayed as follows. In order to examine the assumed linkage of certain components of social capital (in this case trust and access to information) and their impact on a venture in its seeding phase, the authors conducted five interviews with diaspora entrepreneurs. Five of the interviewees had migrated from a developed country to lesser developed country to found their business (descending migration). One had migrated to an equally developed country. The latter case was included to evaluate whether or not the identified results are of specific significance for descending migration or rather prevalent in most cases of migration entrepreneurship.

The five cases represented different industry sectors from manufacturing to service-based ventures. They also stood for a variety of different migration routes. This case selection was done to test the hypotheses in a broad and independent environment and to eliminate industry and cultural specific influences.

To secure a level of trust, which is necessary due to the sensible nature of some of the questions but also due to the relatively small number of potential participants, most of the subjects were recruited using the snowball method (Biernacki, Waldorf, 1981:141-143) while relying on contacts the authors had made abroad or due to their own migrational background. This established an open atmosphere between interviewer and interviewee that led to open and extensive responses.

The interviews were conducted via telephone/Skype or e-mail (if the interviewee was unwilling or unable to be interviewed via telephone/Skype), lasted between 30 and 50 minutes and were recorded and later transcribed. The interviews focused mainly on the proposed research questions but gave the interviewees space to elaborate on their specific experiences with resources embedded in diaspora networks by
asking follow-up questions if appropriate. The collected data was purely qualitative and was first clustered to identify themes and subthemes represented in multiple cases (Ryan, Bernard, 2003:95). These superordinated patterns were then tried to match against those previously derived from the existing literature (Yin 2009:136-141). In a second step all answers were closely examined independently to gather quotations that highlighted certain aspects and observed phenomena or pointed to further factors that were not initially included in the research but considered valuable for later research by the authors. All collected data was anonymised.

3.2 Explanation of the indicators “Diaspora Network”, “Social Capital” and “Success and Satisfaction”

For a proper answering of the research question and its sub-questions, it is necessary to design criterions in the form of indicators and sub-indicators. These are constituted upon specific core elements derived from previously published research papers and factual books. Also, a questionnaire has been developed on the basis of these indicators and their subsets. A total of twelve indicators have been developed, three key indicators with a subset of another three sub-indicators assigned to each one of them. The first key indicator is “Diaspora Network” with the following subset: “Homeland Orientation”: Here, “[...] the orientation to a real or imagined ‘homeland’ as an authoritative source of value, identity and loyalty” is meant (Brubaker 2005:5).

Safran (1991) uses the expression “myth”, which includes maintaining a collective vision or memory of the homeland, but also regarding the homeland as the only real home expatriates aspire to return back to. Safety and prosperity of a homeland should be attained by commitment and maintenance. Further, the personal or indirect, one’s identity shaping relation to the homeland should be continued (Safran 1991:83f.).

“Boundary-Maintenance”: In systems theory, a boundary separates the system from its environment, while it effectively defines and operationalizes the system (Bailey 2007:1). Related to diaspora, “Boundary-Maintenance” means maintaining a distinctive, delimiting identity within a host society. Boundaries are preservable not imposed by external force, the individuals must take the initiative self-motivated. One’s identity shaping relation to the homeland should be continued (Safran 1991:83f.).

So does Putnam (2001), who considers social trust as a valuable community asset. He associates social trust with many forms of civic engagement and social capital. Trust therefore rests upon familiarities, friendship and shared values (Onyx, Bullen 2000:25). In doing so, one can recognize a social aspect in trust. Safran (1991) uses the expression “myth”, which includes maintaining a collective vision or memory of the homeland, but also regarding the homeland as the only real home expatriates aspire to return back to. Safety and prosperity of a homeland should be attained by commitment and maintenance. Further, the personal or indirect, one’s identity shaping relation to the homeland should be continued (Safran 1991:83f.).

“Collective Action”: Social Capital is accompanied with a sense of personal and collective efficiency, requiring proactive willingness and engagement of citizens in a social context, more precisely within a participating community (Onyx, Bullen 2000:25).

“Collective Action” can only be measured if it is not imposed by external force, the individuals must take the initiative self-motivated.

“Information and Communication”: Maintaining and enhancing Social Capital depends critically on the ability of the members of a community. This sub-indicator refers to the ability of an individual to plan and embark on action, for instance, if an individual knows where and how to gather specific information after a decision has been made (Onyx, Bullen 2000:29). In addition, the way that the information is communicated plays a tremendous part. Communication can proceed in various ways. Formal and informal, analogue or digital. For the interviewees, this sub-indicator not only affects the way they seek information, but also how they provide information in case of approaching customers. Furthermore this sub-indicator deals with the networks of Diasporans, dealing with
whether if they are part of a diaspora network and/or a non-diaspora network in their host countries. Also the networks in their home countries are taken into consideration. The subset below belongs to the last key indicator “Success and Satisfaction”:

“Meaning of Success”: Scholars like Homburg and Krohmer (2004) measure success with economic key performance indicators like profit, gross margin, return on sales, market shares or customer satisfaction etc. (Homburg, Krohmer 2004:3). But this sub-indicator goes beyond economic figures. Depending on beliefs and values, the interviewees are able to define their personal view of success and explain, what exactly success means to them.

“Diaspora Network/Success Relationship”: Hereby, the influence of fellow Diasporans on the venture and its success will be shown, by figuring out if whether the interaction with individuals from the diasporas’ country of origin has a bigger impact on its business success or the interaction between individuals from his/her country of residence.

“Satisfaction”: Here the interviewees can express their overall satisfaction with the current states of their businesses. A particular focus lies on the diaspora network’s influence. This indicator shall clarify whether the diaspora entrepreneurs are satisfied at all plus if interaction with fellow countrymen is increasing the satisfaction of Diasporans and if yes, to which extent.

4 Findings

All the interviewees were as to the definition given in this text diasporan entrepreneurs and had different migration routes. Due to the fact that the interviewees want to remain anonymous names got changed into a case numeration. The entrepreneurs interviewed included:

1. Case A: German entrepreneur who found an ecommerce business in Indonesia.
2. Case B: German entrepreneur who found an online service firm in China.
3. Case C: South African entrepreneur who found a fruit drying firm in Uzbekistan.
4. Case D: English entrepreneur who found a candle production company in India.
5. Case E: American entrepreneur who found a consulting and coaching firm in Germany.

Four of the interviewed entrepreneurs are male and one is female.

The following sections present the key findings surrounding the research questions developed in chapter 1.

Do Diaspora entrepreneurs identify themselves as being part of a Diaspora?

All of the interviewees identified themselves at least implicitly with their respective home country. A difference among the entrepreneurs could only be made by discovering the source of identification. Sources of identification were the work ethics, religious beliefs, countries values and spirit of landsman. Case E for example expresses it like this:

“I would have to say my personality being an American and being just much more outgoing and extroverted. My personality is in general more positive. Upbeat kind of nature. I know growing up as a child in the constellations which I was involved in. I think you’re expected to be positive. It’s expected to be upbeat. It’s expected to more of an extrovert. I think in the US we probably have more people who are extroverted as when you compare the US and Germany. And I think that part of it is my personality yes. But part of it is. Has a lot to do with my socialization. So I would say. A large part I would say 70% of my personality is influenced by my country of origin. Yes I would say that. Which is significant” (Case E 2015:1).

Although the source of identification might be different the research question can be answered with yes because all interviewees did identify with their respective home country.

Do they actively seek contact to fellow countrymen/try to benefit from the network?

The questioned entrepreneurs all had some kind of network with fellow countrymen and with respective benefits. In addition the usage of the networks differed significantly. For some interviewees it was hard though to identify these networks. Reason for that was the difficulty in distinguishing between formal and informal networks. Especially entrepreneurs that sourced exclusively from informal networks were not aware of the benefits that this network brought to their business. Case C stated that during the interview they would deny that they actively seek a network but by asking further the observation was made that they in fact did have networks with respective benefits. Case B for example got a lot of feedback for improving the business from German customers although that entrepreneur stated that he did not have any network with other Germans. An example for a formal network was introduced by Case D.
“BAFTS (British Association of Fair Trade Shops). Best represent my industry” (Case D 2015:3). Case E was part of the “American International Womens’s Club” and IHK Industrie und Handelskammer Köln”.

That informal networks can help to enter formal networks was also experienced by Case E. “I am not sure if you are familiar with the term “Kölner Klüngel”. It’s a term that means many business relationships in Cologne are possible through networks and contacts and being recommended and talking to various people. Informally. And then you get an informal invitation that becomes a formal invitation. That has been extremely helpful for my business. Most of my clients are through recommendations of... just being around in different network environments and talking to people about what I do” (Case E 2015:2).

Another informal network can be facilitated by social media platforms like Facebook. Case E mentioned being part of a group on Facebook where female entrepreneurs are connected.

What kind of benefits does a diaspora network hold? Does it facilitate the set-up of trust and access to information?

For every interviewee the diaspora network held certain outcomes. In every case it facilitated the set-up of trust and good access to information. Case C showed the benefits of a diaspora network very clearly.

“One major South African person helped me. Was actually a person from South Africa who works with dried fruit professionally, yeah. And he sent me ehhm manuals on how to do drying and when I was in South Africa he took me and showed me some of the Processes” (Case C 2015:3).

In this case the diaspora network provided very important information for the success of the business. Without this information the venture would not have been able to develop in the way it did. He later said:

“I didn’t hear everything you said but it was crucial to have a South African man yeah helping me with the ehhm with the techniques the insight and the knowhow and how to dry well” (Case C 2015:5).

Furthermore in this case the set-up of trust was facilitated by the diaspora network.

“I feel definitely more connected to them (South Africans) compared to other nations. And I guess on a trust level it would be very high but at the same time I have a equally high trust for Americans and Europeans” (Case C 2015:3).

Case A and E also mention the importance of trust within the Diaspora network.

“I think the nature of my business is so international I would rely exclusively on Americans” (Case E 2015:3).

“I regard Germans as particularly trustworthy when doing business” (Case A 2015:1).

In comparison to this statement Case C expresses that the network was not only defined by one
nationality but also by cultures with similar values and beliefs. This could imply that diaspora networks should not only be determined by one nationality but rather with a cluster of countries with similar cultures.

“But certainly western culture has an inbuilt trust about it where in general people stick to their word. Most of them Eastern or African or other countries, so in that sense yes. It is even a cultural thing but that culture I would say has been influenced by the gospel” (Case C 2015:5).

Case D also highlights the benefit of trust that can be sourced in a diaspora network.

“It is far better developed and easier to source than India” (Case D 2015:3).

As in this case and in most others the customers primarily come from the country of origin. This is another explanation why the diaspora network is often the offspring of information. Most business models only work if the customer needs are satisfied.

But not all interviews got information exclusively from their diaspora network. In Case E the entrepreneur sees himself more as a global citizen and is therefore also influenced by different nationalities.

“I think given the fact that we truly live in a global society or economical business community I can’t focus on one particular source of information. I have to make sure that I get various sources from various places. I read in different languages. I read in German. I read in English. I read in Spanish. I read in French. So these are all sources for me to develop my own perspective which is always somewhere in between all these different points of view” (Case E 2015:4).

Other benefits besides information and trust can be access to finance. Case A mentioned that his business partner also comes from Germany.

At the end one observation from Case C brought a business partner also comes from Germany.

The entrepreneur sees himself more as a global citizen and is therefore also influenced by different nationalities.

“With certainty western culture has an inbuilt trust about it where in general people stick to their word. Most of them Eastern or African or other countries, so in that sense yes. It is even a cultural thing but that culture I would say has been influenced by the gospel” (Case C 2015:5).

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Other benefits besides information and trust can be access to finance. Case A mentioned that his business partner also comes from Germany.

At the end one observation from Case C brought a new perspective to the importance of diaspora networks should not only be determined by one nationality but rather with a cluster of countries with similar cultures.

“The first indicator which is going to be discussed is the “Diaspora Network” consisting of the three sub-indicators “Homeland Orientation”, “Boundary Maintenance” and “Network Resources”. In case A the interviewee was rather influenced by his own family then by the society of his country of origin. Especially his parents who all had chosen the way of self-employment influenced him by a large extend. However, he stated that the society and his friends did not influence him as much as needed to effect his personality. Quite the contrary for him, the society he lived in, was too “risk-averse”. In conclusion we can say that there is a “Homeland Orientation” mainly due to his family and the values they share with each other. The fact that the most important contact to his country of origin is his fiancée and his closest friends defines his “Boundary Maintenance” as a non-profit contact. And because of those contacts his “Network Resources” are limited to emotional benefits and are only informal.

The work ethics of the interviewee in case B influenced his personality, making it his only “Homeland Orientation”. Most of his contacts to people from his country of origin are not business related. For this reason his “Boundary Maintenance” can be called the same as in case A, non-profit. His “Network Resources” mainly consist of feedback from his countrymen and are only informal.

In case C the interviewee’s independence, his willingness to risk and try new things was very much influenced by his country of origin. As the findings prove, his “Homeland Orientation” was influenced mainly in a religious way. Because of the fact that his main contacts were missionaries from his country of origin, it can be said that his “Boundary Maintenance” was also influenced in a religious way. His “Network Resources” consisted of formal and informal networks. But his most
important connection was that to the countryman who showed him the process and techniques he needed to set up his business.

The values of the interviewee in case D which are reflected in his country’s values influenced his personality a lot. Due to the fact that the interviewee still lives in his country of origin he is fully integrated into the local community. So there is no need of “Boundary Maintenance”. He also stated that he only had minor “Network Resources” in his country of origin. In fact most of his resources were formal and in his country of business.

The interviewee in case E was mainly influenced by the extroverted character of her countrymen which makes this character trait the main part of her “Homeland Orientation”. She also stated that she has nearly no connection to people from her country of origin and therefore no “Boundary Maintenance”. Her primary “Network Resources” are informal invitations and recommendations but mainly networks in her country of business.

The next step is to summarise the findings which have been discovered in the discussion of the indicator “Diaspora Network” and its sub-indicators. As for the sub-indicator “Homeland Orientation” it can be said that all of the interviewees identified themselves at least implicitly with their respective home country. This conclusion is too superficial so it has to be discussed in terms of the differences between each case. First of all the level of identification with the country of origin varies among interviewees. Some of the interviewees were only influenced by their families and friends others were mainly influenced by the society, values and religion of their respective country. In addition the source of identification differs among all interviewees. The different sources of identification are displayed in the following chart.

![Figure 3: The four sources of identification](image)

For convenience the sub-indicators “Boundary Maintenance” and “Network Resources” will be summarised in the same part. As the discussion shows, not all interviewees actively tried to be part of a network. But all of the interviewees benefited in some way from networks but not all of them were aware of that fact. The network used by the interviewees were organised formally and/or informally. Structure of the networks depended on the interviewee’s mindset. All of the interviewees had some kind of network with respective benefits. However, the usage of said networks differed significantly.

The indicator “Diaspora Network” proves that all diaspora entrepreneurs are influenced by their respective country of origin. Still the indicator cannot explain the differences in the level of identification between all diaspora entrepreneurs. But the indicator shows that the source of identification differs between each diaspora entrepreneur. Hence all diaspora entrepreneurs have some kind of network with respective benefits. The indicator proves that diaspora entrepreneurs do not have to intentionally use or seek networks to benefit from them.

5.2 Discussion of the indicator “Social Capital”

The second indicator which is going to be discussed is “Social Capital” consisting of the three sub-indicators “Trust”, “Collective Action” and “Information and Communication”. In case A the interviewee considered people from his country of origin particularly trustworthy because of his experiences so far. The interviewee stated that he is not part of an organisation of people from his country of origin particularly trustworthy because of his experiences so far. The interviewee stated that he is not part of an organisation of people from his country of origin. As for the sub-indicator “Information and Communication” his primary source of information and costsumer was not from his country of origin.

The interviewee in case B stated people from his country of origin are particularly trustworthy and in certain cases he would rather rely on the help of someone from his country of origin. He is not part of an organisation of people from his country of origin. In terms of feedback his primary source of information is his circle of costsumer from his country of origin due to the fact that most of his costsumers are from his country of origin.

In case C the interviewee considers the people from his country of origin particularly trustworthy but also people from other developed countries. He also stated that he would rather rely on the help from someone from his country of origin. There was no organisation of people from his country of origin he was participant of. In terms of “Information and Communication” there were no connections to his country of origin but to people from other developed countries.
The interviewee in case D considers people from his country of origin particularly trustworthy because of the more developed law in his country of origin and understanding of “win/win”. He would probably rather rely on the help of someone from his country of origin but his most successful and effective relationships are in his country of business. The interviewee is part of an organisation of people from his country of origin because it represents his industry best. The country of origin is the primary source of information in case D because it is far better developed and easier to source and the primary source of customer is also his country of origin.

In case E the interviewee does not consider people from her country of origin particularly trustworthy because trust is something that depends on the individual. The interviewee also would not rather rely on the help of someone from her country of origin because it depends on the experiences an individual can offer. There are organisations the interviewee is part of but none of them is from her country of origin and none is directly related to her business. The country of origin is neither the primary source of information nor the primary source of customer, but the country of business is.

The indicator “Social Capital” proves that diaspora networks play a crucial role in the majority of the cases. In some cases they helped building reputation or attracting customers. In others they helped setting up the venture by providing information or knowledge. In one case the absence of trust provided through diaspora networks let the business fail. However the indicator does not explain if the country of origin as a source of information and customers is particularly more valuable than the country of business as a source of information and customers. It also does not prove if organisations of people from the country of origin effect a business or not.

5.3 Discussion of the indicator “Success and Satisfaction”

“Success and Satisfaction” consisting of the three sub-indicators “Meaning of Success”, “Diaspora Network/Success Relationship” and “Satisfaction” is the third indicator which is going to be discussed in this chapter. The interviewee in case A described the “Meaning of Success” as the ability to develop new business ideas and having the time to test and implement them. Furthermore he stated that people from his country of origin have a considerable share in his venture’s success. The interviewee is very satisfied with his current state of business and he uses the people from his country of origin as a local “Yardstick” to measure the success of his own business.

In case B the interviewee explains the “Meaning of Success” as being able to live up to one’s ideals. People from his country of origin have no particular influence on the venture’s success. Besides the financial success people from his country of origin influence his current state of “Satisfaction” with their feedback because they represent the majority of his customers.

Being able to develop not only the own business but the environment, the society and people in the country of business is the “Meaning of Success” for the interviewee in case C. People from his country of origin played a crucial part for his venture’s success by teaching the necessary techniques and processes. The interviewee is very satisfied with his business because he could help the people and the environment even though the business stopped when he left it because of the lack of trust.

In case D the interviewee describes the “Meaning of Success” as the ability to create a sustainable business with profits and that considers the environmental impact of the business. There is no high influence on the venture’s success by the people from his country of origin. And they also do not effect his state of “Satisfaction” with the business.

For the interviewee in case E the “Meaning of Success” is the ability to live one’s life in an authentic way and live up to one’s own ideals. Hence the interviewee explained that her personality which was influenced by her country of origin plays a more important role for the success of the venture than the interaction with people from her country of origin. The contact to people from her country of origin played a major role for her current state of “Satisfaction”. The indicator “Success and Satisfaction” proves that all diaspora entrepreneurs do not set financial success up to a goal. They all rather set up non-economic goals and consider these goals as their meaning of success. It is inconclusive whether the contact to people from one’s respective country of origin influences the success of a business or not. But there is a linkage between the sub-indicators “Meaning of Success” and “Satisfaction”. Therefore the indicator “Success and Satisfaction” with its sub-indicators “Meaning of Success”, “Diaspora Network/Success Relationship” and “Satisfaction” and the links between them are displayed in the following chart.
If a diaspora entrepreneur reaches the goals that have been set up by them they tend to be more satisfied with their business. But the indicator cannot measure the ratio of that linkage. Overall it can be said that there is a linkage between “Diaspora Network” and “Social Capital”. In most of the cases the “Diaspora Network” influences the set-up or trust. The kind and strength of “Diaspora Networks” and usage varies due to individual values. The understanding of success of the diaspora entrepreneur plays a major role in the venture’s success. The following chart visualises the three indicators “Diaspora Network”, “Social Capital” and “Success and Satisfaction” with their respective sub-indicators and the relationships between that can be explained due to the findings of this research.

6 Final Review

6.1 Conclusion

Most of the research contributions on the topic of Diaspora entrepreneurship focus on a collective approach that highlights the influence of diasporas on the development of national economies. Also many authors investigate diasporas that have their origin in developing countries and which members have migrated to developed countries. This paper aimed to research the link of “Diaspora Networks” and certain resources that help a business succeed and grow.

To develop measurement criteria for this assumed linkage, a questionnaire was developed which contained questions that covered the identification of the interviewee as a Diasporan, its general values and the relationships between the sub-indicators of each indicator.
connection to his country of origin and its people, the benefits that the individual received from this network and how they influenced the development of its business. The questions were derived from an extensive literature review on the topics of general entrepreneurship, diaspora entrepreneurship and social capital that was presented in this paper’s conceptual background chapter. Following this chapter was a presentation of the collected data that combined both a clustered view on differences and similarities in the individual cases, as well as an overview of distinctive quotations that further highlighted the individual perception and reality of already discussed phenomena, but also gave insight into certain aspects of the topic that were not brought up previously but considered valuable especially for future research. Afterwards the findings were discussed and put into perspective with the conceptual foundation.

Following this structure the paper provided evidence that there is indeed a link between the use of resources that are embedded in a diaspora network and the success of a business that is founded by Diasporans. The five presented cases all made use of their status as a member of a diaspora network. However the nature of this use differed. While some heavily relied heavily on their network in their respective country of origin, others turned to counymen in their country of residence for help. This may be due to the nature of their business, but also due to individual character traits. Another remarkable finding was the rich variety of resources that the interviewees reported to have received out of their network. While some received help with institutions or legal barriers from their network and the success of a business that is founded by Diasporans when they were facing problems concerning their business’ development or simply recruited the clients out of the diaspora. This shows that although there are many possible ways for a diaspora to influence a business, no participant could have founded successfully completely without the assistance of its fellow counymen. Above that it was remarkable that most interviewed participants did not identify as being part of a diaspora and in most cases even denied a strong connection to their country of origin, albeit maintaining a strong connection to their home country’s culture and receiving significant benefits out of the interaction with Diasporans. That shows how underrepresented the concept and the value of diaspora entrepreneurship is in the reality of business founders. There is a definite need to highlight the opportunities that arise out of using a diaspora network to Diasporans.

6.2 Limitations

There were some limitations to this study. Due to the relatively small number of available participants that engage in descending diaspora entrepreneurship, but the high level of intimacy and trust necessary to discuss their own business with a researcher, only five cases could have been analysed in this paper. The authors attempted to present a variety of migration routes and industry sectors covered by the interviewees to eliminate errors that stem from cultural or industry-specific pre-settings. However the sample size is still too small to provide ultimate evidence of the prevalence of the described phenomena in comparable cases. Many of the observed characteristics in using their diaspora network can be connected to the individual personality of the interviewee, although the general tendency shows an undoubtful value that the resources embedded in a diaspora network provide for entrepreneurs. Future researchers should focus on eliminating the error margin by collecting larger data samples. Another intriguing research endeavour could investigate in how far the observed cases in which diaspora entrepreneurs that acted as agents of trust for an entire industry or links from a knowledge filled scientific society to an unexplored market, can be aggregated to gain significance on a macro-level and give valuable implications for policy makers. Another aspect that had to be left undiscussed in this paper although there are clear evidences in the collected data, is the nature of the diaspora as a measure of compensation that helps individuals to cope with the tasks that they are facing in their business environment on a personal level. Further research should be undertaken to uncover the level of reassurance and motivation that a Diasporan can draw out of the interaction with fellow counymen in his personal sphere that helps him to successfully lead their business.

List of Literature

Ahmadi et al. / LEMEX Research Papers on Entrepreneurship 1 (2016)


