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Contents

Prof. Dr. Jörg Freiling	2
Editorial Comments	
Information on Contributions	3
Eyüp Akkurt	4
Returnee Entrepreneurs – Characteristics and Success Factors	
Dennis Beicher	19
The Impact of the Digital World on the Establishment of Rich-to-Poor Diaspora Entrepreneurship	
Payam Ahmadi, Witali Efa, Torsten Schumacher, Sitki Sengel, Philip Werner	36
The Impact of Resources Embedded in Diaspora Networks on a Venture’s Success	
Kim Kaufmann	52
The Impact of Diaspora Networks on the Motivation to Found a Diaspora Start-Up	

Editorial Comments

Prof. Dr. Jörg Freiling

It is with great pleasure to launch a first volume of the LEMEX Research Papers on Entrepreneurship. LEMEX Research Papers on Entrepreneurship is a series of working papers on entrepreneurship research which enables early-stage researchers to share their novel research findings. LEMEX – the Chair in Small Business & Entrepreneurship believes in the creative potentials of bachelor and master students and encourage them to develop and conduct their own research initiative on the topic of entrepreneurship. I have witnessed the development of students in their personality and research skills in the course of research development. In their research initiative, young academics address social problems and tackle research gaps, and these efforts lead them to make research contributions to the current entrepreneurship research with unique research findings which are worth sharing with the global research community. The LEMEX Research papers on Entrepreneurship bridges the curiosity and interest of young researchers and international researchers to advance the entrepreneurship research in a distinctive way.

The first volume presents four articles which analyzed different aspects of diaspora entrepreneurship. Due to the recent technological advancement which enabled various forms of migration, the number of migrants has been drastically increasing and the society has become more transnational. Entrepreneurial activities of migrants and diasporans, those who are embedded in multiple societies, have attracted much attention from researchers and policy makers, since they often address unique entrepreneurial opportunities by utilizing diaspora resources and networks.

The first article ‘Returnee Entrepreneurs – Characteristics and Success Factors’ was developed as a bachelor thesis by Eyüp Akkurt, who has analyzed uniqueness of Turkish returnee entrepreneurs. The second article is a bachelor thesis written by Dennis Beicher and focused on the digital networks used by diaspora entrepreneurs who originate from developed countries and migrate to emerging and developing countries. The third article is developed as a group project within the seminar on diaspora entrepreneurship (Jörg Freiling / Aki Harima). Payam Ahamadi, Witali Efa, Torsten Schumacher, Sitki Sengel and Philip Werner observed social capital of different types of diaspora entrepreneurship. The fourth article is also based on a bachelor thesis written by Kim Kaufmann who researched diaspora networks and motivation of German entrepreneurs in South Africa. This volume highlights the heterogeneity of diaspora entrepreneurship and presents unique empirical cases which can inspire the global research community.

Information on Contributions

Returnee Entrepreneurs – Characteristics and Success Factors

Submitted by Eyüp Akkurt as bachelor thesis at the Chair in Small Business & Entrepreneurship (LEMEX) in 2014

The Impact of the Digital World on the Establishment of Rich-to-Poor Diaspora Entrepreneurship

Submitted by Dennis Beicher as bachelor thesis at the Chair in Small Business & Entrepreneurship (LEMEX) in 2014

The Impact of Resources Embedded in Diaspora Networks on a Venture's Success

Submitted by Payam Ahmadi, Witali Efa, Torsten Schuhmacher, Sitki Sengel, and Philip Werner as group work in 2015 the main seminar diaspora entrepreneurship at the Chair in Small Business & Entrepreneurship (LEMEX)

The Impact of Diaspora Networks on the Motivation to Found a Diaspora Start-Up

Submitted by Kim Kaufmann as bachelor thesis at the Chair in Small Business & Entrepreneurship (LEMEX) in 2015

Returnee Entrepreneurs – Characteristics and Success Factors

Eyuep Akkurt¹

Abstract

The role of returnee entrepreneurs in the development of emerging countries has recently received much attention. Returnee entrepreneurs refer to highly skilled people who start their business after spending significant time in the residence country for education and work. Returnee entrepreneurs may make significant contributions to the economic development of their host countries in unique manners, since they bring back advanced technology and human capital from developed countries. Despite of their potential economic impact, the previous research is mainly focused on specific ethnic groups such as Chinese returnee entrepreneurs. In order to explore the key question: what aspects would influence the success of returnee entrepreneurs' business in original countries, the study highlights a new perspective of returnee entrepreneurship. By examining the characteristics of diaspora entrepreneurs, returnee entrepreneurs and transnational entrepreneurs, the study emphasizes their success factors in the country of origin. A single case of a successful ethnic Turkish returnee entrepreneur who used to live in Germany was conducted for this study. The study explored some crucial success factors such as gaining the supports from the local government as well as having an indigenous partner to set up his venture in the original country. Furthermore, the ability to adapt and have good knowledge in business and management were identified as further success factors of returnee entrepreneurs.

Keywords: Diaspora entrepreneurship, Returnee entrepreneurs, Transnational entrepreneurs, Success factors, Turkey

1 Introduction

1.1 Statement of the Problem

While international business activities were traditionally characterized by multinational firms, more and more SMEs are involved in international business activities and they are playing a bigger role in international markets (Knight, 2001: 155). Growing migration flows, globalization of international business, and the key aspects that supported and still support globalization in general, which include email, fax, the internet, cheap telephone services, air travel, and the dominance of the English language are forcing diaspora entrepreneurship and enabling young firms to be involved in international business (Drori, Honig and Wright, 2009: 1001; Dutia, 2012: 66; Knight, 2001: 155; Light, 2007: 7-11; Riddle, 2008: 28; Yeung, 2002: 52-54; Zahra and George, 2002: 256-285).

High-skilled immigrants from developing countries brought important contributions to developed countries, especially to the economy of the United States of America. This phenomenon of a "brain drain" for developing countries has been known for years and their effects were largely discussed (Bhagwati and Hamada, 1974: 19-41). More recently, researchers and policy makers have recognized that this brain drain has turned into a "brain drain circulation", due to an increasing

In India, received remittances cover more than their trade deficits (Kapoor, 2001: 280). In China, for example, a hefty two-thirds of the \$105 billion of

number of returnees (Kenney, Breznitz and Murphree, 2013: 391; Luo and Wang, 2002: 253-254; Saxenian, 2005: 58). However, migration flows have changed. In 2006, over 275,000 Chinese graduates and students returned to China, of which 5,000 founded 2,000 new ventures in China's biggest science park, the Zhongguancun Science Park (Dai and Liu, 2009: 373; Liu et al., 2010: 1184).

In Germany, where a large ethnic Turkish community is resident, 36% of the ethnic Turkish graduates and students intend to emigrate to Turkey, 69% of which within the next ten years (Sezer and Daglar, 2009: 16; Sirkeci, Cohen and Yazgan, 2012: 36).

This is of high importance for Germany, especially because of the declared shortage of skilled labor (Sezer and Daglar, 2009: 4). Shortage of skilled labor is not a Germany-specific problem. Moreover, it is a phenomenon appearing in many developed countries, especially those in Europe (Zimmermann, 2005: 427; Zimmermann, 2009: 2). Another important aspect showing why diaspora research deserves more attention from scholars is that the amount of remittances is increasing. Developing countries received an estimated \$325 billion of remittances (of a total of \$440 billion) in 2010, which is an increase of six percent compared to 2009. The amount of remittances to developing countries in 2009 was as high as FDI flows (World Bank, 2011: 21).

FDI in 2010 were investments from ethnic Chinese (The Economist, 2011: n. pag.). Moreover, 90% of the ten biggest investors in China were ethnic

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Chinese investors living overseas and investing in their homeland with the help of their diaspora network (Dutia, 2012: 69).

Furthermore, previous research claims that higher entrepreneurial activities are correlated with high rates of economic growth (Ács, 2006: 102-103).

For these reasons, it is very important to focus on diaspora entrepreneurship and specifically on returnee entrepreneurs because even non-returnee firms can benefit from the presence of returnee entrepreneurs and returnee firms (Liu et al., 2010: 1193). They have key functions in the global transfer of knowledge, experience and innovation and are able to turn a brain drain into brain drain circulation (Drori, Honig and Wright, 2009: 5; Liu et al., 2010: 1192; Saxenian, 2005: 56; Saxenian, 2006: 19-20).

1.2 Research Gap and Aim of the Thesis

First, previous research largely focused on the macroeconomic effects of returnee entrepreneurs. Because this thesis sets its focus on the micro level and therefore on the returnee entrepreneur as an individual, this thesis has a great importance in extending the previous research.

Second, almost all of the research on returnee entrepreneurs is based on Chinese returnee entrepreneurs. Moreover, it focuses only on the Zhongguancun Science Park in Beijing (Dai and Liu, 2009: 373-386; Filatotchev et al., 2009: 1005-1019; Liu et al., 2010: 1183-1195; Wright et al., 2008: 131-155). Even though the Zhongguancun Science Park is the biggest science park in China and can be seen as a generic example of where returnee entrepreneurs settle, it is helpful to gain new insights from other returnee entrepreneurs. For this reason, this thesis includes a single case study with a non-Chinese returnee entrepreneur and thereby extends the previous literature on returnee entrepreneurship. More specifically, the single case study consists of an interview with a Turkish returnee entrepreneur from Germany. This example is illustrative of a rich-to-poor returnee entrepreneur. Because of its high GDP per capita, Germany is a typical developed country, whereas Turkey is a typical emerging country, due to its mid-level GDP per capita and high economic growth rates. These definitions of developed and emerging countries are used in this thesis for simplification.

Furthermore, there are strong linkages between Germany and Turkey because of the large Turkish community in Germany (Sirkeci, Cohen and Yazgan, 2012: 36).

Therefore, one aim of the thesis is to show a new non-Chinese perspective on returnee entrepreneurship. The thesis makes a contribution to subject matter with an European background.

This thesis focuses on the characteristics and success factors of the entrepreneur himself, not on characteristics and success factors of the founded venture, due to the fact that the entrepreneur is a key resource of the firm (Filatotchev et al., 2009: 1009). The characteristics of the entrepreneur and the human and social capital he brings is described as well as the effect that he has on his firm's performance. Therefore, the aim of the thesis is to analyze different kinds of literature on diaspora entrepreneurship, transnational entrepreneurship, returnee entrepreneurship, and other relevant literature to combine the findings with a single case with a non-Chinese returnee entrepreneur. This will provide a broader view of the characteristics and success factors of returnee entrepreneurs and help to derive implications for practitioners or future practitioners. This should help them to make more rational decisions on whether to become a returnee entrepreneur or not. Furthermore, returnee entrepreneurs should be aware of personal aspects that are affecting their success. For this reason, recommendations for action concerning current and potential returnee entrepreneurs are given.

All in all, this thesis extends the previous literature on returnee entrepreneurship in two ways. It focuses on the micro level of returnee entrepreneurs and views them as individuals. Moreover, with the help of the case study, this thesis goes beyond Chinese returnee entrepreneurs and considers a Turkish returnee entrepreneur. This thesis is the first to combine these two new dimensions on returnee entrepreneurship research. The overall research question is, therefore, what characteristics and success factors of rich-to-poor returnee entrepreneurs are. Chinese returnee entrepreneurs, a single case study in the form of a semi-structured and semi-explorative interview with a Turkish returnee entrepreneur is conducted in order to gain new insights beyond the Chinese returnee entrepreneur literature. The semi-structured interview is ideal to

Religion:

“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)

Homeland Orientation:

“Diasporans [...] continue in various ways to relate to that homeland and their ethno-communal consciousness and solidarity are in an important way defined by the existence of such a relationship.” (Cohen, 2008: 6)

General Migration:

“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)

Professional Diaspora:

“[...] 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 and Brown, 1999: 5)

Table 1: The Development and Usage of the Term "diaspora"

gain new insights because the interviewee is allowed to speak freely and a lot. He is therefore not constrained in his answer possibilities even though he is expected to give an answer to a specific problem (Mayring, 2002: 67). The findings from analysis of the literature and the single case study are merged and interpreted. From the results, implications for practitioners and policy makers are generated. Lastly, limitations of the thesis are shown and future research directions for scholars are given.

2 Previous Research on Diaspora Entrepreneurship

2.1 Rich-to-poor Diaspora Entrepreneurship

Most of the previous research is based on general research on diaspora entrepreneurship with a strong focus on poor-to-rich diaspora entrepreneurs, who emigrate from poor countries to richer ones, mostly out of necessity and in search of better living conditions (Ballard, 2003: 27-37; Lin and Tao, 2012: 50; Portes, Guarnizo and Haller, 2002: 278-296). The poor-to-rich perspective of diaspora entrepreneurship has been known for decades and many scholars have focused on it.

The firms and entrepreneurs in such emerging states as the BRIC or MINT countries are growing in importance and attractiveness, since they are fast developing markets, so the focus of this research lies on rich-to-poor diaspora entrepreneurship (Subramanian, 2012: n. pag.).

However, almost all of the previous research focused on the macro level and the effects of diaspora entrepreneurs on macroeconomic factors. There is a distinction between migration and international migration. While migration can take place within a country, international migration is the relocation of people from one country to another (Castles, 2000: 269; OECD, 2006: 17). For the purposes of this thesis, only international migration is relevant, and in the upcoming discussion, the term “migration” will mean “international migration.”

There is no consensus on a specific definition of the term “diaspora” because of different usage when talking about religion, homeland orientation, general migration or professional diaspora. Even though diaspora is a term that has its roots in the life of Jews in exile, the term has experienced a development in its usage and an expansion of its meaning (Brubaker, 2005: 2). Meyer and Brown (1999) define diaspora as “[...] 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 and Brown, 1999: 5).

Therefore, in terms of diaspora entrepreneurship, the entrepreneurs are not only migrants but also natives with an ethnic background, for example an ethnic Turk born in Germany. It is important to take note of this relationship to the country of origin, the so-called “homeland orientation” (Cohen, 2008: 6). Hence, diaspora entrepreneurs can be defined as entrepreneurs that move from one country to

DIASPORA ENTREPRENEURS

Returnee Entrepreneurs

Return from their country of residence to their country of origin in order to be an entrepreneur. Settlement in their country of origin is obligatory to be a returnee entrepreneur.

Transnational Entrepreneurs

Are embedded in entrepreneurial activities and business in both their country of residence and their country of origin. The location of transnational entrepreneurs can be in the country of residence, country of origin, or both.

Figure 1: Distinction between Diaspora Entrepreneurs, Returnee Entrepreneurs, and Transnational Entrepreneurs

another and have business-related linkages in at least two countries, their country of origin and their country of residence (Drori, Honig and Wright, 2009: 1001).

As mentioned before, diaspora entrepreneurship is forced by growing migration flows, globalization of international business, and the key aspects that also supported and still support globalization in general, which are email, fax, internet, cheap telephone services, air travel, and the dominance of the English language (Drori, Honig and Wright, 2009: 1001; Dutia, 2012: 66; Knight, 2001: 155; Light, 2007: 7-11; Riddle, 2008: 28; Yeung, 2002: 52-54; Zahra and George, 2002: 256-285).

Before talking about returnee entrepreneurship, a clear distinction between the terms “diaspora entrepreneur”, “returnee entrepreneur”, and “transnational entrepreneur” is made in figure 1.

2.2 Returnee Entrepreneurship

Returnee entrepreneurs, as a specific group of diaspora entrepreneurs, are commonly highly-skilled individuals, who spend a period of time in their country of residence for study or work before they return to their country of origin to start a business (Drori, Honig and Wright, 2009: 1005; Filatotchev et al., 2009: 1006; Kenney, Breznitz and Murphree, 2013: 391; Wright et al., 2008: 132). Because returnee entrepreneurship in this thesis is viewed as part of diaspora entrepreneurship, and therefore seen from a diaspora point of view, returnee entrepreneurs are defined as one who may have spent all of his life in his country of residence and then returned to his country of origin to start a company. This definition is valid as long as he has an ethnic background, and therefore linkages to his country of origin – even though he may have never lived there.

Furthermore, this thesis has a rich-to-poor focus, which means that the country of residence of a returnee entrepreneur here is a developed country while his country of origin is an emerging country. Through their stay abroad, returnee entrepreneurs may have enjoyed university education or acquired commercial business knowledge and experience, which they can use for the foundation and establishment of their business (Dai and Liu, 2009: 374; Kenney, Breznitz and Murphree, 2013: 395). Previous research on returnee entrepreneurship largely focused on Chinese returnee entrepreneurs in the Zhongguancun Science Park in Beijing and very occasionally on Taiwanese and Indian returnee entrepreneurs. However, all of them dealt with returnee entrepreneurship in terms of the development and formation of high-tech firms and science parks (Dai and Liu, 2009: 373-386; Filatotchev et al.: 2009: 1005-1021; Kenney, Breznitz and Murphree, 2013: 391-407; Liu et al., 2010: 1183-1197; Wright et al., 2008: 131-155).

3 Characteristics of Returnee Entrepreneurs

3.1 Literary Criticism

Because there is a lack of literature explicitly focusing on returnee entrepreneurs' characteristics, the following characteristics of returnee entrepreneurs are mainly inferred from Lin and Tao (2012) and Portes, Guarnizo and Haller (2002). Even though Lin and Tao (2012) and Portes, Guarnizo and Haller (2002) focused on transnational entrepreneurs, it can be assumed that there are many similarities in the characteristics of returnee entrepreneurs and transnational entrepreneurs.

However, the transferability of the similarities will be discussed and the distinctions in the

characteristics between these two groups of entrepreneurs will be highlighted.

3.2 Characteristics

3.2.1 Family Status

One finding of Lin and Tao's survey is that transnational entrepreneurs are mostly married males (Lin and Tao, 2012: 59). Portes, Guarnizo and Haller (2002) are stating the same (Portes, Guarnizo and Haller, 2002: 288). Furthermore, Lin and Tao argue that households with more than three persons have a lower probability of having a transnational entrepreneur in its household (Lin and Tao, 2012: 59).

It is at least questionable that these characteristics can be applied to returnee entrepreneurs, since they are generally younger than transnational entrepreneurs (Lin and Tao, 2012: 61; Wang, 2007: 180). Moreover, returnee entrepreneurs are not involved in transnational business as strongly as transnational entrepreneurs, which involves less travel. Therefore, it can be assumed that family status plays an important role for transnational entrepreneurs, but plays a less important role for returnee entrepreneurs.

Nevertheless, it can be assumed that unmarried returnees or returnees without children have a greater probability to become returnee entrepreneurs because they could be more willing to relocate due to non-existing family obligations.

3.2.2 Form of Employment

According to Lin and Tao's findings, 35.6% of transnational entrepreneurs have a full-time job, compared to 61.3% in the group of non-transnational entrepreneurs. Moreover, 28.8% of transnational entrepreneurs are self-employed, compared to 14.4% in the non-transnational entrepreneurs group (Lin and Tao, 2012: 59).

It can be concluded that one is more likely to become a transnational entrepreneur if he is not employed full-time, but instead is self-employed. Because this conclusion is logical for all types of entrepreneurs, the same can be assumed for returnee entrepreneurs.

3.2.3 Educational Level

The survey of Lin and Tao (2012) shows another phenomenon and characteristic of this group. The higher the educational level, the higher is the probability of becoming a transnational entrepreneur rather than a local entrepreneur. According to Lin and Tao's findings, 9.6% of transnational entrepreneurs have their PhD, while only 4.5% of non-transnational entrepreneurs have

that degree. In contrast to that, only 2.7% of transnational entrepreneurs have a diploma or a lower educational level, compared to 9.0% in the non-transnational group (Lin and Tao, 2012: 60-61).

This finding is again consistent with Portes, Guarnizo and Haller (2002), who have come to the same conclusion (Portes, Guarnizo and Haller, 2002: 288-290).

The finding is also compatible with returnee entrepreneurs because it can be assumed that many returnee enterprises have a transnational focus, keeping the tie to the former country of residence. Sezer and Daglar (2009) found that especially highly educated ethnic Turkish graduates and students in Germany intend to return to Turkey for an opportunity-based reason (Sezer and Daglar, 2009: 8). Bates (1990) and Arenius and De Clerq (2005) go further by concluding that higher levels of education are positively correlated with the probability of identifying opportunities and starting up new ventures (Arenius and De Clerq, 2005: 261; Bates, 1990: 555).

3.2.4 Age

A last characteristic influencing the probability of becoming a transnational or returnee entrepreneur is age. Unfortunately, the findings of Lin and Tao's survey are not that clear. The percentage of transnational entrepreneurs 34-years-old or younger is 20.5%, compared to 15.3% of the non-transnational entrepreneurs.

In contrast, 21.9% of transnational entrepreneurs are 45-54 years old, compared to only 13.5% in the non-transnational group (Lin and Tao, 2012: 60-61). A clear trend is not observable.

The conclusion of Lin and Tao that transnational entrepreneurs are older than non-transnational entrepreneurs is questionable.

However, it might be true that the majority of transnational entrepreneurs are between 45 and 54 years old, and in contrast to this, returnee entrepreneurs, at least in China, are around 35 years old (Lin and Tao, 2012: 60-61; Wang, 2007: 180). This sounds logical, assuming that younger entrepreneurs are more willing to relocate to another country to start a business than older entrepreneurs who have already settled in their country of residence and built up their businesses.

3.3 Résumé

In general, many characteristics of transnational entrepreneurs can be transferred to returnee entrepreneurs, due to the fact there is only a small

distinction between these two types of entrepreneurs.

Because the research on rich-to-poor diaspora entrepreneurship, especially on returnee entrepreneurs, is still in the beginning stages, there is to date no literature on specific characteristics of returnee entrepreneurs in English.

For this reason, the findings of this empirical research are compared with a single case study with a Turkish returnee entrepreneur (in chapter six) in order to identify similarities and contradictions and gain new theoretical insights.

4 Success Factors

The characteristics mentioned above can also be factors leading to success. Lin and Tao (2012) have prioritized the characteristics of transnational entrepreneurs in regard to their influence on success. In addition to demographical characteristics that can affect success, there are also success factors based on the knowledge-based view and the social capital theory. For this reason, before discussing the specific success factors from the literature analysis in chapter 4.2 and 4.3, a theoretical introduction to the knowledge-based view and social capital theory is given below in chapter 4.1.

4.1 Knowledge-Based View and Social Capital Theory

The knowledge-based view describes the creation of knowledge and knowledge acquisition that is done internally within an organization, while the social capital theory focuses on external knowledge acquisition through networks (Dai and Liu, 2009: 374). Because one approach focuses on internal aspects while the other focuses on external ones, these two approaches complement each other.

4.1.1 The Knowledge-Based View

The knowledge-based view claims that knowledge is stored within individuals and is an organization's most important strategic resource for competitive advantages. The firm's purpose in the knowledge-based view is to apply the stored knowledge in individuals to the firm's products and services (Grant, 1996: 120; Kogut and Zander, 1992: 384; Nonaka, 1994: 34; Spender, 1996: 46; Teece, 1998: 75). The knowledge-based view is based on the resource-based view, which proposes that competitive advantages are created through unique and complex resources. These unique resources also affect the firm's performance because the resource-based view argues, due to the uniqueness and complexity of resources, that these resources

cannot be easily acquired or replicated, and this leads to the competitive advantages that are relevant in strategic management practice and theory (Barney, 1991: 115-117; Teece, 1998: 75-76; Wernerfelt, 1984: 178-180).

There are two types of knowledge and they can be divided into explicit knowledge and tacit knowledge. Explicit knowledge is easy to describe and articulate, and is therefore explicit; it can be easily transferred between individuals and organizations. Tacit knowledge is difficult to articulate and communicate and is therefore hard to transfer and integrate within an organization or from one individual to another (Kogut and Zander, 1992: 384; Nonaka, 1994: 16).

Thus, experience and learning-by-doing are the only possible ways of acquiring tacit knowledge (Song, Almeida and Wu, 2003: 361-362).

Because tacit knowledge is so hard to transfer, it is also difficult to acquire or replicate, and can therefore be an important resource in creating competitive advantages.

For this reason, knowledge brought by the entrepreneur to the firm is a key aspect in a firm's performance. The different types of knowledge the entrepreneur brings to the firm are discussed below as success factors in chapter 4.3.

4.1.2 The Social Capital Theory

As mentioned before, the knowledge-based view and the social capital theory complement each other. The social capital theory has its focus on knowledge acquisition and value creation externally through networks (Dai and Liu, 2009: 374).

Social capital, especially in the form of social networks, is, as tacit knowledge, hard to replicate. For this reason, specifically for young and small firms, social capital is an essential resource that is providing these firms with competitive advantages (Burt, 1992: 58-59).

At this point, the complementarity of tacit knowledge and social capital is obvious. While tacit knowledge leads to competitive advantages with the help of internal resources, social capital is providing firms with competitive advantages through external networks.

Social capital-related success factors based on the previous experience and network of the entrepreneur are discussed in chapter 4.3.

4.2 Demographical Characteristics

4.2.1 Employment Status

According to Lin and Tao (2012), the most influential criteria determining the success of

transnational entrepreneurs, and therefore the success of the transnational businesses, is the employment status of the entrepreneur. The businesses, which did not have an entrepreneur with a full-time job were much more likely to be profitable than businesses with a full-time employed entrepreneur. 53.1% of businesses with a not full-time employed entrepreneur were profitable, compared to 19.5% of business with a full-time employed entrepreneur (Lin and Tao, 2012: 63).

This finding for transnational entrepreneurs and transnational businesses are fully applicable to returnee entrepreneurs because it can be assumed that every business foundation requires commitment.

4.2.2 *Family Status and Gender*

Lin and Tao (2012) have stated that gender itself is an important success factor, the second most important one after employment status. The findings declare that transnational businesses founded by males are more successful than transnational businesses founded by females. This phenomenon is explained by the high amount of travelling required and that it is easier for males to be involved in transnational activities than females, because of family obligations (Lin and Tao, 2012: 63).

So even in Lin and Tao (2012), gender is not a success factor by itself. It is more a characteristic that affects family status. A woman without children could have the same probability of being successful as a man without children.

In this understanding, family status in combination with gender is the factor that affects the success of the transnational business.

Due to the fact that returnee entrepreneurs are not involved in transnational activities as much as transnational entrepreneurs, it can be concluded that family status and gender are less important and influential success factors for returnee entrepreneurs than for transnational entrepreneurs.

4.3 *Entrepreneurial Resources*

4.3.1 *Network*

Social relationships are essential resources and a form of social capital, which are acquired by persons with the help of a network of social links (Adler and Kwon, 2002: 18). Diaspora entrepreneurs, as well as returnee entrepreneurs, can build social relationships with the help of linguistic and cultural commonalities. With this ability and through their social links, diaspora entrepreneurs in general are able to identify and

pursue opportunities other entrepreneurs cannot (Dutia, 2012: 68). Diaspora entrepreneurs are therefore able to build partnerships in their country of residence as well as in their country of origin. With the help of these partnerships and social links, there are possibilities available for investment, trade, and outsourcing (Dutia, 2012: 69). Especially for small firms, such social capital is crucial, as small firms can get information and resources through their social relationships, which are unavailable internally (Davidsson and Honig, 2003: 324).

Returnee entrepreneurs can exploit business opportunities, for example, by exploiting foreign markets with the help of their social capital (Coviello and Munro, 1997: 379; Wright et al., 2008: 134). For that reason, it may be easier for returnee entrepreneurs to expand with their ventures abroad. In emerging countries where infrastructure and institutions are weak, especially in East Asia, scholars emphasize the importance of international social linkages (Chung, 2006: 481; Elango and Pattnaik, 2007: 551-552; Lee, Lee and Pennings, 2001: 634-635; Zhou, Wu and Luo, 2007: 685-687).

These findings are compatible for all kinds of diaspora entrepreneurs because every diaspora entrepreneur, based on the above definition of diaspora entrepreneurs, has international social relationships and linkages, due to their social embedding in at least two countries.

The social capital of diaspora entrepreneurs is linked with their previous education and commercial work experience. Especially through their commercial work experience, diaspora entrepreneurs acquire business-related knowledge and social capital.

4.3.2 *Work Experience*

The commercial work experience leads to the development of knowledge and social capital and is therefore a success factor by itself. Additionally, previous work experience can enable entrepreneurs to identify and exploit opportunities (Wright et al., 2008: 137). Past work experience can also help entrepreneurs to adapt to new situations and therefore perform in a more productive way (Davidsson and Honig, 2003: 321).

Access to financial institutions, management experience, and business networks are essential resources associated with previous work experience and these are helpful in starting up a new business. It can be concluded that the entrepreneur's previous work experience is an essential internal resource and therefore an

important success factor (Westhead and Wright, 1998: 181-182, Wright et al., 2008: 137).

4.3.3 Satisfaction

Another important success factor is the satisfaction of the entrepreneur. Satisfaction determines decisions of the entrepreneur, which are strategically relevant and essential for survival. Based on an entrepreneur's satisfaction, the entrepreneur decides whether to continue the business or to sell, or alternatively, to close it (Cooper and Artz, 1995: 453).

All in all, satisfaction is a success factor, that does not affect higher or lower firm performance in the first place, but determines survival-relevant decisions of the entrepreneur.

4.4 Summary

Davidsson and Honig (2003) conclude that social capital is affecting success and firm performance in a stronger way than human capital (Davidsson and Honig, 2003: 324).

Returnee entrepreneurs also can exploit local and international markets with the help of social capital, which provides them access to relevant information (Coviello and Munro, 1997: 379). Local entrepreneurs without that strong social capital as returnee entrepreneurs may not be able to do so. The findings of Dai and Liu (2009) show that firms founded by returnee entrepreneurs have a much stronger export performance than firms founded by local entrepreneurs (Dai and Liu, 2009: 379).

An export orientation and a global mindset are identified as a competitive advantage in some studies (Carpenter, Pollock and Leary, 2003: 804; Nadkarni and Perez, 2007: 171; Sapienza et al., 2006: 920). Serving international markets with the help of exports is a possibility to increase the sales of a firm. Filatochev's et al. (2009) findings indicate that entrepreneurs with work experience in multinational companies as well as international social networks have a greater probability of becoming exporters. Moreover, the findings show that, in terms of the export performance of the returnee firm, past work experience in a multinational company and international social networks of the entrepreneur complement each other (Filatochev et al., 2009: 1014-1016). This is complementary to the statement made above that the knowledge-based view and the social capital theory complement each other.

All in all, the literature suggests that university education and work experience in general are

success factors that complement each other (Wright et al., 2008: 137).

5 Methodology of the Single Case Study

5.1 Aim of the Study

In order to gain new and other insights apart from Chinese returnee entrepreneurs, a semi-structured interview with a Turkish returnee entrepreneur was conducted. The full transcript can be found in the appendix (Appendix II). As stated before, the research on returnee entrepreneurs, especially on rich-to-poor returnee entrepreneurship, is very young and relevant literature is rare and based on the example of the Zhongguancun Science Park in Beijing, China. This circumstance makes a single case study meaningful and necessary.

5.2 Research Design

Because it is very hard to find returnee entrepreneurs who are willing to take the time for an interview, only one single case study in interview form was conducted. The case study was set on the sample of an ethnic Turkish returnee entrepreneur who used to live in Germany. This sample is illustrative for many other rich-to-poor returnee entrepreneurs because Germany represents the rich and developed countries whereas Turkey represents a poorer but emerging country. Germany is a typical developed country and could be substituted by many other countries such as France, the United Kingdom, the USA, Japan or Switzerland, whereas Turkey is a typical emerging country like other BRIC or MINT countries. The criterion in this thesis for identifying developed countries is a high GDP per capita. The criteria for identifying emerging countries are a mid-level GDP per capita and a high rate of economic growth. These definitions of developed and emerging countries in this research serve, of course, for simplification. The constellation of Germany-Turkey is ideal because Germany has got a large ethnic Turkish community. Thus, it was possible to find the interview partner through personal contacts. The interview partner was predestinated because he was born in Turkey, lived and studied for many years in Germany and returned to Turkey to start a company. He had been a returnee entrepreneur for eleven years before he decided to sell his company and accept a full-time job in Turkey. After 17 years in Turkey, he again migrated to Germany.

Following the principle of grounded theory, and because of lack of relevant literature, new insights were expected to be gleaned from the interview.

For the conduction of a semi-explorative research, the questionnaire was designed in a semi-structured fashion. The semi-structured interview is used in qualitative research when the interviewer is in knowledge of a specific problem, which he wants to explore with the help of this focused but explorative qualitative research method. The semi-structured interview is ideal in terms of gaining new insights because it gives the interviewee the freedom to talk freely and a lot (Mayring, 2002: 67). The questionnaire is divided into three sections: an explorative first part, where the returnee entrepreneur should give an answer to his background and story of his founding a venture, a structured second part where especially demographic characteristics are enquired about, and an explorative third part where the interviewee should talk about success factors. The questionnaire can also be found in the appendix (Appendix I).

5.3 Data Collection & Analysis

Before conducting the interview, the interviewee was instructed based on the questionnaire, which is a usual procedure before conducting semi-structured interviews (Mayring, 2002: 71). The interview was conducted face-to-face with the help of a dictation machine. Further questions that arose after the interview, especially related to the personal profile of the interviewee (Appendix III), were clarified through email or telephone. The full transcript of the interview can be found in Appendix II.

Of course, the validities of the findings in a single case study are always limited. However, the transcript of the interview was compared to the findings from the literature to identify similarities or contradictions. Other aspects were viewed as new insights. In doing so, the validities of the findings are discussed in chapter 7.2.

6 Findings of the Single Case Study

6.1 Characteristics

The returnee entrepreneur was born in Turkey in 1971. At the age of seven he migrated to Germany, meaning he completed his educational training in that country. After his educational training, he started his apprenticeship as a clerk in public administration and worked as a clerk in that field

even after he finished his apprenticeship. Besides having this full-time job, he studied economics, but did not finish. Furthermore, he worked as a self-employed interpreter and translator parallel to his full-time job and studies. Up until that point, he was not married nor had he any children. The returnee entrepreneur had, though, earned an "Abitur", which is similar to a high school diploma, due to the fact he did not finish his bachelor degree studies in economics.

Looking at the interviewee's educational background and his answers in the interview, he did not have any business or management knowledge. In 1993, the interviewee returned to his country of origin, Turkey, where he established a trading firm in Istanbul with a strong export orientation to Germany, his former country of residence. Until then, he had lived for about 15 years in Germany and had seven years of professional experience. Besides his job as an entrepreneur in Turkey, he did not have a full-time or part-time job, but was self-employed as a returnee entrepreneur.

At the time of the company's founding in Istanbul, the interviewee was 22 years old.

In 1996, at the age of 25, the interviewee sold his shares in the company to his founding partner and founded a second firm in the industry sector. During his time as an entrepreneur, he did not have a full-time or part-time job at all.

6.2 Success Factors

Personal and business networks are here identified as theoretical success factors. The interviewee emphasized the difficulty of making profitable usage of one's networks and highlighted different understandings and functionalities of the term "network" in different cultures and countries. He especially pointed out the importance of linkages and networks with political institutions and individuals in emerging countries with weak institutions such as Turkey.

Furthermore, the interviewee claimed that social relationships in Turkey are less rational and more emotional than in developed countries and cultures, for example Germany. The social and even business relationships are on a more personal level. This was a success factor for the interviewee. He stated that if an entrepreneur saw his business-related linkages and social relationships only rationally and objectively, he would have less success. In conclusion, the more personal an entrepreneur interacts with his business-related linkages and social relationships, the more success this entrepreneur will have.

A further important success factor for the interviewee involved keeping ties to the former country of residence, Germany, in this case. For the interviewee, the relationship to the former country of residence was a source of energy because of the difficulties in everyday life in Turkey, particularly related to the different culture and habits.

This leads us to another success-related aspect, namely, the ability to adapt to a completely different culture. The interviewee gave examples of problems in cultural understanding, the concept of time, and the relationships of an entrepreneur or executive to his employees – this, even though the interviewee was born a Turk.

The interviewee claimed that he was forced to adapt to his new situation in Turkey and that the know-how and habits from the former country of residence, in particular organizational habits and time management know-how, were worthless. The interviewee specifically had problems with scheduling business meetings because he claimed that it is nearly impossible to fix exact appointments. Hence, his time management know-how was worthless because his self-organization was highly dependent on external factors.

However, due to his vocational and educational background, the interviewee pointed out that business and management knowledge would have helped him, as these are factors affecting success.

Satisfaction is another important success factor. Satisfaction here is not only related to the satisfaction with the business's performance. Many of the aspects discussed above, in particular the need to culturally adapt, but also including differences in the functionality of networks and social relationships, the difference in the relationship between executives and employees along with a different concept of time all influence the entrepreneur's satisfaction. In this case, even though the entrepreneur's business was growing, with its over 400 employees, and he had an almost monopolistic position and was very successful, personal dissatisfaction made the entrepreneur sell his business.

For this reason, the interviewee advises every entrepreneur who wants to found and establish a firm abroad, whether the entrepreneur is a returnee or not, to look for an indigenous partner who is familiar with the local structures and infrastructure. Even though the experiences of the interviewee are specific to Turkey, it can be assumed that the results are transferable to other emerging or developing countries and economies. The interviewee here especially emphasized his similar

business-related experiences in Syria, Iran, Greece, Russia, and China, which were also not developed countries in the 1990's and early 2000's.

7 Results

7.1 Merge of the Results

The findings from the analysis of the literature and the single case study strongly show the characteristics of returnee entrepreneurs; these findings are not contradictory.

The interviewee was at the time of the founding of the firm a young unmarried male without children who had a high educational level, even though he did not finish his studies of economics. Furthermore, he had no full-time or part-time job during his time as a returnee entrepreneur. For these reasons, the characteristics-related findings of the single case study are completely in line with the findings from the analysis of the literature. This is an important aspect when noticing the lack of literature making the characteristics of returnee entrepreneurs the subject of discussion.

Looking to the success factors, the findings from literature analysis and single case study in many aspects are similar to or complement each other. It can be assumed that the success factors of mostly Chinese returnee entrepreneurs, as identified in the literature, can be transferred to returnee entrepreneurs with other ethnical backgrounds.

However, the single case study indicates potentially new success factors. Only in the case of work experience are the findings not clear in the single case study. The following table gives an overview of the results concerning success factors: As shown in Table 2, employment status as a success factor is not identifiable in the single case study even though the case study shows that the interviewee had no parallel jobs to his entrepreneurial activities and was very successful with his firms. The same applies to family status and gender. Even though the interviewee was not married, had no children, and was successful, family status and gender cannot be identified as success indicators affecting the demographical factors in the case study.

The interviewee had acquired significant work experience in Germany at the time of founding his business in Turkey. However, there is no indicator in the case study for previous work experience as a success factor.

Networking is a success factor identified in both the literature and case study. The case study showed that networking is an important success

Identified Success Factors in Literature	Identified or Indicated Success Factors through Case Study
<ul style="list-style-type: none"> • Employment Status • Family Status and Gender • Network • Work Experience • Satisfaction 	<ul style="list-style-type: none"> • Network • Ability to Adapt • Business and Management Knowledge • Satisfaction

Table 2: Success Factors in Literature and Case Study

factor but also pointed out different dimensions when talking about networking as a success factor. The case study emphasized the different understandings and functionalities of networks in different cultures and countries. According to the findings of the case study, social relationships, even business-related ones, are far more personal and emotional in Turkey than in Germany. The findings distinguish between rational and emotional relationships.

Satisfaction is also identified as a success-related aspect in the literature and in the case study. The literature claims that satisfaction is a success factor that influences essential decisions of the entrepreneur, for example whether to continue a business or not (Cooper and Artz, 1995: 453). In the case study, the interviewee sold both of his firms because of dissatisfaction. However, the literature focuses on the entrepreneur's satisfaction with the business's performance. In the case study, the interviewee decided to sell his businesses due to personal dissatisfaction.

There are also indicators for success factors not mentioned or identified in literature. The ability to adapt to a new culture and new business habits are two of these factors. The case study shows that with the need to adapt, certain know-how and skills such as time management skills become irrelevant. Business and management knowledge are also assumed to be success factors, as indicated in the case study. The interviewee lacked business and management knowledge. Even though his firms were successful, the interviewee claims that business and management knowledge would have helped him to become more successful.

7.2 Interpretations

This thesis transfers some of the characteristics of transnational entrepreneurs identified in the literature to returnee entrepreneurs. No other research published in English gave insights into the specific characteristics of returnee entrepreneurs. Specific questions to the returnee entrepreneur's

characteristics asked in the interview with the help of its semi-structured construction show that the findings in the literature analysis are not contradictory and therefore indicate their validity. This thesis also indicates two new success factors, which can be the subject of discussion in future research. Moreover, previously identified success factors in the literature also have other dimensions that can affect the returnee entrepreneur's success. These new dimensions are new insights that could be gained in this thesis through the single case study. Especially the ability to make use of ones networks in different cultures and countries, the ability to understand the different functionality of networks in different cultures and countries, and the entrepreneur's general and personal satisfaction in his country of origin are the new dimensions that were identified in the single case study.

Of course, one might claim that the findings in the single case study lack in validity because only one Turkish returnee entrepreneur was interviewed. As a result of the many overlaps in the findings of literature analysis and case study, it can be assumed that the experiences of the interviewee are transferable to other returnee entrepreneurs, especially to those with an ethnic Turkish background. In order to validate these findings, future research should focus on Turkish returnee entrepreneurs.

The ability to adapt to a new culture and to new habits, especially habits in everyday business, and the entrepreneur's business and management knowledge are success factors identified in this thesis. Future research should focus on these newly identified potential success factors.

The identified success factors can in a way be seen as aspects that influence whether the returnee entrepreneur is a successful entrepreneur, a successful returnee, or both. While the ability to adapt is a factor determining whether a returnee will be a successful returnee or not, business and management knowledge is an aspect that influences the entrepreneur's entrepreneurial

success. Decisions coming with satisfaction or dissatisfaction, for example to leave the country of origin and return to the former country of residence, influence both the fact of being a successful returnee and the fact of being a successful entrepreneur because the return implies the sale or closure of the returnee firm.

However, when it comes to the influence of the returnee firm's performance, it can be assumed that all identified success factors in this thesis can influence the success of returnee's firm.

8 Conclusion

8.1 Implications to Practitioners and Policy Makers

With the help of the findings, implications to practitioners and policy makers can be derived. Practitioners and future practitioners can use the findings in order to make themselves aware of the success factors influencing their venture's success. As a result, they can analyze each success factor individually and apply them to themselves.

Aside from the given demographical success factor of family status, practitioners should not have a job parallel to their entrepreneurial activities.

The findings suggest that future practitioners should also acquire work experience, which also leads to more business and management knowledge and a broader network.

As recommended by the interviewee, returnee entrepreneurs should enter into a partnership with an indigenous partner to overcome difficulties with cultural adaptation. The indigenous partner could assist him in understanding the functionality of the local business networks, the different habits in business, and help him to build up a network and gain experience and knowledge of the local business scene. The role of the indigenous partner could also be to interact with local business partners and customers in order to avoid difficulties.

Gaining the support of the local government is another issue for returnee entrepreneurs. This is in line with Peng and Luo's (2000) finding that ties to officials highly affect firm performance in emerging economies (Peng and Luo, 2000: 497). For this reason, contact to local governmental and political institutions should be sought. These institutions could support the returnee entrepreneurs in many ways, for example by enabling them to broaden their network or supporting them with subsidies, which would increase the performance of the returnee's firm.

Policy makers should support returnee entrepreneurs and foster returnee entrepreneurship for many reasons. First, returnee entrepreneurs play a crucial role in knowledge transfer and innovation (Drori, Honig and Wright, 2009: 5; Liu et al., 2010: 1192). Second, with these competitive advantages and their export orientation, returnee entrepreneurs are able to push economic development. Liu et al. (2010) suggest that international human mobility, which includes returnee entrepreneurs, are important drivers of economic growth, especially in today's times of economic globalization (Liu et al., 2010: 1193).

Because there seems to be no evidence that the Turkish government specifically tries to attract returnees, the following examples and suggestions are also addressed to the Turkish government and Turkish policy makers.

A growing number of governments and policy makers are already trying to attract returnees to their country of origin (Kenney, Breznitz and Murphree, 2013: 393).

The Chinese government, for example, supports high-technology firms in science parks, regardless of if they are returnee firms or not, with subsidies, by offering tax privileges (Wright et al., 2008: 132).

Further, governments and policy makers should try to develop and establish a pro-business climate, invest in infrastructure and institutions to attract more returnee entrepreneurs.

Based on the knowledge-based view and social capital theory, the knowledge, social capital, and skills acquired abroad by returnee entrepreneurs, are essential for their success in their home country. Therefore, governments, firms, and universities should develop more possibilities for their students and employees to get university education and work experience abroad.

Moreover, as Dutia (2012) suggests, initiatives and organizations should be established to offer potential returnee entrepreneurs mentoring and support in building networks. They also need help in gaining skills through knowledge-related trainings and getting access to financial institutions (Dutia, 2012: 70).

Governments could also provide returnee entrepreneurs with dual citizenships to facilitate their firm's internationalization and export orientation, in particular to their former country of residence.

All in all, governments and policy makers should guarantee that returnee entrepreneurs feel welcome.

Returnee Entrepreneurs: Some Future Research Questions

Context	Returnee entrepreneurs	Location
What is the relative importance of returnee entrepreneur ventures in high-tech and other sectors?	How many ventures founded by returnees are founded by teams or individuals?	What is the relative importance of location of returnee entrepreneur ventures on science parks vs. off-science parks?
What is the relative importance of returnee entrepreneur ventures in emerging economies, former centrally planned economies, and developed economies?	What is the extent of success vs. failure of returnee entrepreneur ventures?	To what extent do returnee entrepreneurs retain a business link with the foreign country [i.e., are transnational entrepreneurs] vs. those that make a clean break?
How do the ventures created by returnee entrepreneurs vary as between EE, former CPE, and DE?	What are the motives of returnee entrepreneurs in creating ventures in their home countries?	To what extent do returnee entrepreneurs remain in the same location or use it as an initial foothold only?
What is the influence of the country/institutional source of the returnee entrepreneur's experience abroad in the nature of their ventures and their behavior?	What are the human and social [local vs. foreign] capital attributes of the team members used by returnee entrepreneurs?	To what extent do returnee entrepreneurs exit from their home country and return abroad? What factors influence this process?
What is the relative importance of are tax credits and subsidies as drivers of returnee entrepreneurship compared to access to local technology, human capital, and social capital	To what extent do returnee entrepreneurs act as business angels?	
	What differences are there between returnee entrepreneurs and their ethnic counterparts who remain in the foreign country?	
	To what extent do human and social capital act as substitutes or complements?	

Note: EE, emerging economy; CPE, centrally planned economy; DE, developed economy.

Figure 2: Future Research Questions on Returnee Entrepreneurs (Source: Wright et al., 2008: 150)

8.2 Limitations and Future Research Directions

This thesis, just as every other research project, has, its limitations. As explained in chapter 3, there was no literature in English on the characteristics of returnee entrepreneurs. This thesis consciously set its focus on rich-to-poor diaspora entrepreneurship, of which rich-to-poor returnee entrepreneurship is a form. The literature dealt a lot with poor-to-rich diaspora entrepreneurship because it was a more common phenomenon in the past, especially after World War II.

The characteristics of returnee entrepreneurs were inferred from the characteristics of transnational entrepreneurs, due to the many similarities of these two groups of diaspora entrepreneurs. Future research should focus specifically on characteristics of returnee entrepreneurs, ideally in different emerging countries.

The literature on the success factors of returnee entrepreneurs focused mainly on high-skilled returnee entrepreneurs in the Zhongguancun Science Park in Beijing, China, who established only high-tech firms, due to their engineering and scientific background. The interviewee in the case study was also a high-skilled returnee entrepreneur, even though he was not Chinese. Hence, this thesis also focused on high-skilled returnee entrepreneurs with university education, even though the interviewee did not finish his studies. This gives

scholars the possibility of dealing with low-skilled returnee entrepreneurs or returnee entrepreneurs with vocational skills and specific work experience.

Furthermore, future research could consist of multiple case studies, with interviews with returnee entrepreneurs from different emerging countries. So, the research design of such a research project could be comparative in order to compare the characteristics and success factors of returnee entrepreneurs with diverse nationalities.

A special focus should be set on Turkish returnee entrepreneurs by scholars to universalize the specific experiences of the interviewee and to ensure the single case study's findings.

The focus on this thesis lies also in returnee entrepreneurs as individuals.

Employment status in this thesis is viewed as the employment status when being a returnee entrepreneur. This thesis does not concern the employment status of the returnee entrepreneur right before becoming a returnee entrepreneur. It is possible that the employment status before the foundation of the returnee firm is affecting its success, so scholars could take this aspect into consideration in future research.

The fact that the findings suggest that an indigenous partner may minimize intercultural difficulties and that many firms are founded by teams are also important considerations (Ucbasaran et al., 2003: 115). Taking this into

consideration, future research could focus on the success-affecting aspects when a returnee entrepreneur starts a business together with a local entrepreneur. Scholars could also try to identify the perfect founding-partner for a returnee entrepreneur, based on the combination of knowledge, skills, and experience.

The ability to adapt to a new culture and to new business habits as well as the entrepreneur's business and management knowledge are success factors indicated but not validated through the findings. Scholars could examine these two potential success factors of returnee entrepreneurs in their future research.

Apart from these suggestions, Wright et al. (2008) give a broad overview of possible future research questions on returnee entrepreneurs: Because there is a big gap in returnee entrepreneurship research, much more research areas and research questions could be developed here. Generally, scholars should focus on returnee entrepreneurship because ignoring this relevant group of entrepreneurs in terms of knowledge-transfer, innovation, and therefore economic development, cannot be in the interest of any government, policy maker or scholar.

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The Impacts of the Digital World on the Establishment of Rich-to-Poor Diaspora Entrepreneurship

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Abstract

While the increasing number of studies have been conducted on diaspora entrepreneurship in general, the entrepreneurial activities of diasporans from a developed country in developing or emerging countries ('rich-to-poor diaspora entrepreneurship') are largely unknown. The study explored the roles of digital media on the business of the rich-to-poor diaspora entrepreneurs in their country of residence. The qualitative methods are employed to identify the key issue: What and how digital media impacts the venture of diaspora entrepreneurs.

In order to collect the data from rich-to-poor diaspora entrepreneurship, interviews with diaspora entrepreneurs in different countries of residence were conducted. Insight from the cases, the digital media was recognized as a useful tool during the establishment phase such as: gaining information, expanding and maintaining a network in a foreign market. By allowing diaspora entrepreneurs to stay in touch with their family, friends and the homeland, the digital media also enable them to pursue entrepreneurial activities in a distant country.

Keywords: *Diaspora Entrepreneurs, rich-to-poor diaspora entrepreneurs, digital media, country of residence*

1 Introduction: The impacts of digital media on rich-to-poor DE

In recent years, globalization has accelerated the movement of people across borders. Today, approximately three percent of the world's population – which sums up to 150 million people – are migrants. Most of these have emigrated from a developing country to a developed country, as a result of which, one in ten persons living in a developed country today is a migrant (Riddle, 2008). A significant number of these migrants refuses or fails to assimilate in the country they move to, and is thus considered as a diaspora – people who are dispersed from their original homeland (Safran, 1991). With such a significant number of people concerned, the Diaspora is a topic of rising interest in the scientific community. Amongst other aspects, the entrepreneurial activities and economic adaption of diasporans came into the focus of recent research (Portes, Guarnizo and Haller, 2002). Many diasporans send money back home, which has a significant economic impact: in 2006, the total global remittance flow was estimated to be US\$ 300 billion (Riddle, 2008). In fact, "for some smaller countries, such as Moldova, Latvia, and Haiti, remittances comprise the largest share of the total economy" (Riddle, 2008).

Diasporans don't only serve as a cheap source of labor in developed countries. In fact, they often engage in entrepreneurial activities themselves. This Diaspora Entrepreneurship features several

differences in comparison to the "normal" domestic entrepreneurship, as Diasporans usually are "embedded in at least two different social and economic arenas" (Drori, Honig and Wright, 2009), which can prove both a burden and an opportunity. This form of entrepreneurship has been proven to have positive impacts on the country of origin, as diaspora entrepreneurs are often motivated to invest in their homelands (Riddle, Hrivnak & Nielsen, 2010). As there exist several ways in which Diasporans can engage as entrepreneurs, this constitutes an own area of scientific interest. The topic of this thesis is thus located in the field of diaspora entrepreneurship.

As mentioned before, the majority of migrants emigrate from developing countries to developed countries. This is thus the type of diaspora that research on diaspora entrepreneurship up to now has concentrated on. Evidence from recent literature (e.g. Elo, 2013) though suggests that there exist other types of diaspora entrepreneurship that have been basically neglected by research. To assist closing this gap in research, this thesis will focus on the entrepreneurial activities of Diasporans from a developed country in developing or emerging countries. This rich-to-poor variant of diaspora entrepreneurship can be expected to vary greatly from other types of diaspora entrepreneurship and is thus of scientific interest. Additionally, this focus has been chosen, as bigger scientific gains can be expected from an area that has not yet been investigated.

An often underlying assumption in research on

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diaspora is that digital media such as the internet, email and mobile communication are of benefit to diasporans. Riddle (2008) mentions that “innovations in transportation and communication technologies now allow migrants to [...] connect with their countries-of-origin in ways that were virtually unimaginable in the past”. While it is often suggested that the digital world has positive influences on diaspora entrepreneurship, no scientific account on the correlation of these phenomena exists yet. As the importance of digital media in modern times is indisputable (see e.g. Crenshaw and Robison, 2006) this thesis takes an explorative look at the way the digital world really influences diaspora entrepreneurship. The purpose of this thesis is to identify possible impacts of digital media on the establishment of rich-to-poor diaspora entrepreneurship. Due to the explorative character and restrictions in time and resources of this work, it cannot be the aim to establish definite impacts, but rather identify factors that could serve as a basis for future research.

To support theoretical considerations, an empirical study constitutes a part of this thesis. On account of the highly explorative nature of this thesis, qualitative methods are employed rather than quantitative methods. To gain an insight into rich-to-poor diaspora entrepreneurship, two German diaspora entrepreneurs, one of them in a developing country (Malaysia) and the other one in an emerging country (Ivory Coast) have been interviewed on the establishment of their enterprises. These interviews serve as a case study and are analyzed in this thesis to find research propositions on the impacts of digital media. To fulfill this purpose, the structure of this thesis is as follows:

- In chapter two, the relevant concepts underlying this thesis are explained. The diaspora, diaspora entrepreneurship, rich-to-poor diaspora entrepreneurship and digital media are introduced as parts of the scientific scope this thesis is concerned with. The relevant literature on these topics is reviewed and connections between these topics are shown. The purpose of this chapter is to provide a framework that is necessary to understand the further approach in this thesis.
- Chapter three identifies two possible factors that could be influenced by digital media. Market Intelligence and networking

are highlighted as components in the establishment of rich-to-poor diaspora entrepreneurship that can be expected to be influenced by digital media. To provide a research structure for the empirical part of this thesis, these factors are further elaborated.

- Chapter four introduces the research design used in the empirical part of this thesis. It is explained why qualitative methods have been chosen. This chapter also has a look at the data collection and at the way the data are analyzed.
- In chapter five, the empirical findings are presented. It is analyzed how the previously discussed factors are influenced by digital media. Also, general insight into rich-to-poor DE from the interviews is presented. Possible impacts of digital media on the establishment of rich-to-poor diaspora entrepreneurship are formulated as research propositions.
- In chapter six the findings are summarized and reviewed. Furthermore, implications and limitations of this thesis are discussed and an outlook on possible future research is given.

2 Conceptual framework

2.1 Diaspora

The impacts of digital media on the establishment of rich-to-poor diaspora enterprises are quite a specific topic and as such need some explanation and classification in a scientific frame. The purpose of this chapter thus is to explain the different components and concepts this thesis draws on, including a description of the current state of research and the connections between the topics. This provides a basis for the identification of possible influencing factors in the following chapter, which can then be further tested in the empirical part.

Diaspora studies are the general field of research this thesis is concerned with. The diaspora is a subject that has been explored quite extensively by researchers of different sociological areas. Up to date, well-researched topics include questions of culture (e.g. Safran, 1990), identity, race and ethnicity (e.g. Hall, 1990), migration in general (e.g. Shuval, 2000) as well as, increasingly,

economy (e.g. Kyle, 1999).

The term *Diaspora* originally referred to the dispersion of the Jewish people in the course of their history (Safran, 2007), but has recently been employed in a far broader frame and in reference to a variety of social groups. Brubaker (2005) even speaks of a “dispersion of the term” itself, whilst several other authors argue for a more elaborate use of the term (e.g. Butler, 2001; Tsagarousianou, 2006). Most authors though are unified in the attempt to find common characteristics of diasporas. Sheffer (2003: 10) defines diaspora as “a socio-political formation [...] whose members regard themselves as of the same ethno-national origin [...] who maintain [...] contacts with what they regard as their homelands [...]”. This hints to the three criteria proposed by Brubaker (2005: 5-7) in order to summarize constitutive elements of a diaspora: *Dispersion* (forced or voluntarily and usually across state borders), *Homeland Orientation* (maintaining a collective memory or homeland myth, and the wish to return) and *Boundary-maintenance* (‘preservation of a distinct identity’ and ‘resistance to assimilation’). For the purpose of this thesis, this is regarded as a sufficient definition of the term.

2.2 Diaspora Entrepreneurship

Out of the abundance of topics concerned with diaspora, this thesis will focus on the aspect of *diaspora entrepreneurship* (DE). Evidence of diaspora members engaging in entrepreneurial activities can be found throughout the history, e.g. in the cases of Indian and Lebanese traders in Africa during the time of colonialism (Cohen, 2008: 84; Akyeampong 2006) or diaspora-owned trading companies in the 19th century (Ioannides and Pepelasis Minoglou, 2005). Today, “diaspora remittances are key sources of capital inflow for many developing countries” (Riddle, 2008: 31). As the importance of Diaspora in general is increasing, the interest for DE rises as well (Drori, Honig and Wright, 2009). Recent literature thus tries to systemize DE and distinguish several types of diaspora entrepreneurs, but differences often remain unclear and many definitions overlap. One common systematization distinguishes three types of DE which shall be explained in the following.

One Variation of DE is *Ethnic Entrepreneurship* (EE). Ethnic entrepreneurs are individuals “whose group membership is tied to a common cultural heritage or origin and is known to out-group

members as having such traits” (Zhou, 2004: 1040). Literature differentiates between *middleman minorities*, who “take advantage of ethnic resources such as language, networks, and skills to trade between their host and origin societies, while retaining their ethnic identity” (Drori, Honig and Wright, 2009: 1004), and *enclave entrepreneurs*, who “are bounded by coethnicity [...] and location” (Zhou, 2004: 1042). Both types are described as a form of “survival mechanism”, as “migrants [...] are frequently obligated to rely on their groups’ ethnic resources and social capital” (Drori, Honig and Wright 2009: 1004).

Another type of DE is *Returnee Entrepreneurship* (RE). Returnees are “migrants who return home after a period in education or business in another country” and can use the human, social and technological capital they bring back to “fill an entrepreneurship deficit in the home country” (Drori, Honig and Wright, 2009: 1005). Most research on RE focuses on the impacts of knowledge spillovers on SMEs and high-tech firms brought by returning entrepreneurs, which boost innovation and employee mobility (Liu et al., 2009). The positive influences of returning entrepreneurs on distant regional economies lead Saxenian (2005) to call this “a process more akin to ‘brain circulation’ than ‘brain drain’”.

Another possibility for migrants to derive advantage from their unique position is to engage in *Transnational Entrepreneurship* (TE), which is “an exceptional mode of economic adaptation, [...] that is neither marginal nor associated with poverty or recency of arrival” (Portes, Guarnizo and Haller, 2002). Transnational entrepreneurs are “migrants and their descendants who establish entrepreneurial activities that span the national business environments of their countries of origin and countries of residence” (Riddle, Hrivnak & Nielsen, 2010). These cross-border entrepreneurial activities put them in a “unique position to identify and exploit opportunities that might not be otherwise recognized” (Drori, Honig and Wright, 2009: 1001). However, whilst transnational entrepreneurs can possess distinct social capital (Kyle, 1999) and unique resources such as diaspora networks (Kuznetsov, 2006), they also face special institutional impediments (Yeung, 2002) and the “liability of foreignness” (Zaheer, 2002). To overcome such obstacles, transnational entrepreneurs may act as institutional change agents, as proposed by Riddle and Brinkerhoff (2011). This is, next to increased homeland

investment (Gillespie et al., 1999) one of the positive effects on the home countries of transnational entrepreneurs. Next to focusing on these macro-level impacts of TE, previous research also looked at micro-level issues, such as characteristics and motivations of transnational entrepreneurs (Lin and Tao, 2012) or determinants of firm type and success, which prove a high heterogeneity in this kind of enterprises (Sequeira, Carr and Rasheed, 2009).

TE and DE in general are fields of research that attracted a lot of attention recently. Up to date, those areas still need to be better understood. Drori, Honig and Wright (2009) give a good account of the different perspectives and the theoretical lenses on TE. Due to the restricted nature of this work, not all these perspectives can be highlighted, instead it is left to the following chapter to integrate the hitherto existing research that may contribute to the overall research question of this thesis.

2.3 Rich-to-poor Diaspora Entrepreneurship

This thesis will have a closer look at an aspect of DE that so far has mostly been neglected by researchers: The economic comparison of a diaspora entrepreneur's country of origin (COO) and the country of residence (COR) he moves to and conducts business in. In DE, researchers by the majority – probably unconsciously and often naturally and without mentioning it - assume that diaspora entrepreneurs are immigrants who left their country for socio-economic reasons (see e.g. Portes, Guarnizo and Haller, 2002). Often named motivations for diasporans thus are, next to socio-political reasons, making a livelihood or “family survival needs” (Liargovas and Skandalis, 2012) and economical improvement. It can also be noted that “literature generally tends to associate the transnationalism of contemporary immigrants with the poor and less educated” (Sequeira, Carr and

Rasheed, 2009: 1026), although on an individual level, research has proven that transnational entrepreneurs can be both opportunity- and necessity-driven (Lin and Tao, 2012). In those instances, where Diasporans are actually classified, they are usually divided into categories such as victim diasporas (e.g. Jews, Africans), labour diasporas (e.g. Indians), colonial diasporas (e.g. British), trade diasporas (e.g. Lebanese, Chinese) and deterritorialized diasporas (e.g. Caribbean, Roma) (Cohen, 2008). As systematizations like these don't fully grasp the nature of DE in different markets, another typology based on COO and COR has recently been proposed by Elo (Table 1). The intention of this overview is to illustrate “how heavily the current diaspora research stream has focused on categories: 1) developing to developed [...] and 2) emerging to developed” (Elo, 2013). This systematization is based upon the categories of *developed*, *emerging* and *developing markets*³. For matters of simplification in this paper, *poor* will be used synonymously for emerging and developing markets, whilst *rich* will be used synonymously for developed markets.

As mentioned, the typically examined type of DE is poor-to-rich. Evidence from empiric research though indicates other cases of DE, in which the COO is not economically inferior. It is to be expected that these cases differ from poor-to-rich DE, as these diaspora entrepreneurs possess a different set of motivations and prerequisites and face different challenges and settings. Leinonen (2012) gives an example on this for the *rich-to-rich* elite-migration type by showing how other motives such as marriage influence American migrants in Finland.

One variation that has attracted close to zero attention by researchers so far is the DE of entrepreneurs from developed countries who engage in emerging or developing countries. This *rich-to-poor* type of DE thus represents a research gap, which will be in the focus of this thesis. It is a

		Country of Residence		
		Developing	Emerging	Developed
Country of Origin	Developing	Developing market diaspora entrepreneurship (cf. intra-regional diaspora in SE Asia)	“Lonely starter” style diaspora entrepreneurship	High asymmetry-based classic diaspora entrepreneurship
	Emerging	“Early starter” style diaspora entrepreneurship (cf. Chinese and Indian in Africa)	Emerging market diaspora entrepreneurship (c.f. Chinese in Brazil)	Medium asymmetry-based classic diaspora entrepreneurship
	Developed	“Colonial style” diaspora entrepreneurship (cf. German in Senegal)	“Pioneer style” diaspora entrepreneurship	Developed market diaspora (cf. US-Americans in Finland)

Table 1: Types of Diaspora Entrepreneurship (Source: Elo, 2013)

³ The criteria and different indices for these categories will not be discussed here due to the limitations of this work. If

needed, popular indices will be frequented for classification later on.

type of DE that so far is very vaguely known, but poses some interesting questions on the nature of these diaspora entrepreneurs. What makes entrepreneurs to “leave their home country which offers attractive economic conditions and career opportunities” (Elo, Harima and Freiling, 2014) to seek business opportunities in an emerging or developing market? In a first effort to answer questions like this, Elo (2013) examined the motivations of different entrepreneurs in the emerging market Uzbekistan, and found them to be significantly unlike those of poor-to-rich type entrepreneurs, especially in the case of a rich-to-poor diaspora entrepreneur. Similarly, initial research has been done on success factors and the timing of rich-to-poor DE (Elo, Harima and Freiling, 2014) and survival factors (Harima, Freiling and Elo, 2014), also taking the motivation of entrepreneurs in consideration. Apart from this, there exists no specific literature on rich-to-poor DE, which leaves it a field open to further research.

2.4 Digital media

When researchers discuss reasons for the recent increase in DE, they often mention modern methods of communication and the rise of the internet as stimulating factors, without properly justifying or proving it. This implicitness demonstrates that digital media strike the zeitgeist of globalization and mass communication. This thesis has a closer look at how modern media really influence DE, in the specific case of rich-to-poor establishment. The purpose of this thesis is neither to hold a discussion on technological features of digital media, nor to extensively explain new media in general. Of importance to this thesis are instead the entrepreneurial dimension and the connection to the diaspora. This is also due to the fact that research on digital media is still in its infancy, or already outdated again as a result of the rapid technological advances. Nevertheless, it must be clarified which digital media this thesis will give consideration to: the internet in general, email and other communication programs, mobile communication, instant messaging as well as social networks are the media that are most likely to have impacts on DE, though this list is of course open to new findings.

As both digital media and DE are relatively new areas of scientific interest, there is no previous literature linking the two topics. This means that findings from the areas of diaspora and entrepreneurship have to be used to gain insight. The impacts of media on diasporans and migrants

are indeed a topic that has recently been subject to research, though often without discriminating between digital and non-digital media as well as between migrants and Diasporans. Hepp, Bozdog and Suna (2011) show the different impacts of media on the identity and connectivity of migrants. They notice that media are “omnipresent” in the life of migrants and that “a part of [...] personal communication has been relocated to the internet”. Similarly, Brinkerhoff (2009) illustrates how digital media influence Diasporans, stating that “the internet is ideally suited for diasporans”. She finds that “digital diasporans: 1) create hybrid identities [...] 2) manifested in communities [...] with various types of social capital and generated benefits, which in turn, 3) may support integration and security in the host society [...] and socioeconomic development in their homeland.” Oiarzabal (2012) suggests that, in the case of the Basque diaspora, social network sites like Facebook “strengthen their communication strategies and facilitates their ability to disseminate information about themselves and their activities”. Another topic that has attracted a lot of attention is the so-called *homeland media*, which serve as a source of homeland-information for diasporans. Whilst they can be an “indispensable identity prosthesis” (Kama and Malka, 2013) for diasporans, they most likely will not have an impact on the economic activities of rich-to-poor Diasporans. Another approach that could be of interest to this thesis is the one of Hiller and Franz (2004), who identify three phases of migration and relate them to different possibilities of computer usage:

- (1) The Pre-Migrant: mainly uses the internet to obtain information, making contacts and gaining assistance.
- (2) The Post-Migrant: can use a computer more skillfully to learn about his new environment, but also as a means to stay in touch with his COO.
- (3) The settled migrant: is well-adapted to the COR and mainly uses the internet to rediscover his connection to the COO.

Despite being relatively old in the scale of the advancement of digital media, this systematization covers the application area of digital media for Diasporans. Moreover, it is not based on poor-to-rich migration. As this thesis looks into the establishment phase of DE, especially the usage of

digital media in the first identified phase is of interest. If these findings are also applicable on entrepreneurs, they indicate that diaspora entrepreneurs can use digital media to obtain information, make contacts and gain assistance. It is thus of need to regard the linkage of digital media and entrepreneurship.

Hang and Van Weezel (2004) have noticed an increasing emergence of literature on the mutual impacts of entrepreneurship and digital media since this millennium. However, research on these topics is still in its initial phase and significant findings are scarce. This situation represents a gross imbalance in comparison to the prominence of digital media in enterprises nowadays and can be expected to change in the near future, as research on the internet and other digital media is rapidly increasing. Similar to the impacts of digital media on Diasporans, a considerable delay can be perceived between the continuous technological and social progress of digital media and the research on it, which renders a portion of literature outdated already at the time of its publication. Hitherto existing findings on digital media and entrepreneurship often concentrate on organizational improvements for companies (see e.g. Vadapalli and Ramamurthy, 1997), which is not of relevance to this work.

Other than that, a lot of research concentrates on new business opportunities generated by digital media. Davidson and Vaast (2010) attest that “IT and new media have become sources of competitive upheaval and innovation in business processes and models”. They suggest that *digital entrepreneurship* emerges as a combination of business-related, knowledge-based and institutional opportunities. Wirtz, Schilke and Ullrich (2010) propose a classification of internet business models into content-, commerce-, context- and connection-orientated models, and illustrate how each model is influenced by Web 2.0 factors. Another area of interest to research is the impacts of media on international business. Reuber and Fischer (2011) identify online reputation, online technological capabilities and online brand communities as important resources for firms that pursue international opportunities. Whilst digital media create new possibilities in marketing, they also generate challenges, e.g. for the management of customer relationship (Hennig-Thurau et al., 2010).

Although internet-based businesses and e-commerce are areas that are often covered in recent

research, they are not of interest to this thesis, as they are not in any way unique factors of rich-to-poor DE. The existing literature on digital media and entrepreneurship thus is not of high relevance to this work. It is therefore left to lean on general work on digital media to gain insight: Weiser (2001) identifies *Socio-Affective Regulation* and *Goods-and-Information Acquisition* as the two main functions for internet usage – in other words, social contact and information. How these terms can be related to rich-to-poor DE will be the content of the following chapter.

3 Identifying possible impacts of digital media

In the previous chapter, a framework for rich-to-poor Diaspora Entrepreneurship has been given. The relevant concepts and connections of Diaspora, rich-to-poor DE and digital media have been explained, as they constitute the basic knowledge needed for this thesis. Although existing literature on these topics is scarce, it hints at two possible factors that could be influenced by digital media: obtaining information and keeping or gaining contact to peers. Transferred to the context of entrepreneurship, this could indicate an influence on two areas: market intelligence and networking. It is thus the purpose of this chapter to have a closer look at these lenses and identify possible impacts of digital media on rich-to-poor diaspora entrepreneurship from these areas. The intention of this approach is to gain a research structure for the empirical part of this work.

To better understand how the impacts of digital media on these areas can influence rich-to-poor diaspora entrepreneurs, a short excursion on entrepreneurial theory is useful. Although entrepreneurship is sometimes regarded as a new area of research, it is relatively old compared to DE and digital media. It is thus not reasonable to repeat all that has been written about it, but instead to mention some basic theories for the context. This is also due to the fact that entrepreneurship itself is still an ambiguous concept (see e.g. Shane and Venkatamaran, 2000).

Two key concepts in entrepreneurship that will be picked up in this chapter are opportunity and risk. In the words of Shane and Venkatamaran (2000), “to have entrepreneurship, you must first have entrepreneurial opportunities”. This thesis thus acknowledges the significance of opportunity as a vital stimulus of entrepreneurship. Also, the role of risk as a counterpart of opportunity is honored.

Risk is an indispensable part of entrepreneurship, as there always is “a positive probability that entrepreneurial activity will result in failure” (Iyigun and Owen, 1998). It is not the aim of this thesis to further elaborate these topics, but rather to utilize them in the discussion on possible impacts of digital media on rich-to-poor DE.

3.1 Information and Entrepreneurial Intelligence

As mentioned before, obtaining information seems to be one of the two main motives in utilizing digital media. On an entrepreneurial level, this idea is supported, as “the internet reduces transaction costs for acquiring and disseminating information” (Brinkerhoff, 2009: 88). This fact could be of importance if one regards the three different categories of opportunities proposed by Drucker (1985, in: Shane and Venkatamaran, 2000):

- (1) The creation of new information, as occurs with the invention of new technologies;
- (2) The exploitation of market inefficiencies that result from information asymmetry, as occurs across time and geography;
- (3) The reaction to shifts in the relative costs and benefits of alternative uses for resources, as occurs with political, regulatory, or demographic changes

This description of opportunity is an indication on how digital media could influence rich-to-poor diaspora entrepreneurs. The invention of new technologies, with regards to digital media, creates opportunities for entrepreneurship. This is however not an effect that is unique to rich-to-poor DE. If the exploitation of information asymmetry that occurs e.g. over geography is added to this consideration, it can be concluded that digital media may have an impact on rich-to-poor entrepreneurs due to the following facts:

- (1) There exists a considerable digital divide between some developed and developing countries: “Many developing countries have computer and internet penetration rates that are 1/100th of the rates found in North America and Europe” (Chinn and Fairlie, 2006: 17). This is a logical phenomenon, as research suggests that the income per capita is the most important determinant on the diffusion of internet usage (Chinn and Fairlie, 2006).
- (2) Information asymmetries are since long

regarded as an advantage for suppliers, as “marketing relationships between buyers and sellers often are characterized by information asymmetry, in the sense that the supplier possesses more information about the object of an exchange (e.g., a product or service) than the buyer” (Mishra, Heide and Cort, 1988: 277). Information asymmetry is not restricted to the buyer-seller-relationship, it can also occur amongst competitors and other actors.

These two factors combined clarify the unique position in which rich-to-poor diaspora entrepreneurs might be. Due to their origins in a rich country, they can profit from the digital divide if they participate in entrepreneurship in a poor country, as it puts them in a position to use digital media to: 1) reduce information asymmetries to their favor or 2) increase information asymmetries to gain a competitive advantage or an advantage in product knowledge over the customers. With regards to the nature of rich-to-poor diaspora entrepreneurship, which happens in markets that are not comparable to the market in the entrepreneurs COO, digital media thus could prove a valuable instrument to reduce information asymmetry. Whether this argumentation is applicable in the reality of rich-to-poor DE is left to be tested in the empirical part of this thesis.

The importance of information is also highlighted in research on DE, as “information is critical to the success of any organizational endeavor, and because TEs occupy two geographical locations that provide and support unique information flows, they are in a unique position to identify and exploit opportunities that might not be otherwise recognized” (Drori, Honig and Wright, 2009). Similarly, Aliaga-Isla and Rialp (2012) point out that “idiosyncratic acquisition and possession of information allows individuals to perceive special opportunities overlooked by others”. They also differentiate between a pre-migration period in the home country and a post-migration period in the COR as two stages of acquiring information. The internet and digital media as a non-geographical source of information might be considered as another category in this systematization.

With a general importance of information gained by digital media use for rich-to-poor DE indicated, the possible categories, for which information may be acquired, will now be illustrated. This is still undertaken for the purpose of finding a structured approach to the empirical part of this thesis.

3.1.1 Market Intelligence

Since the market-based view on entrepreneurship was introduced, the market environment of a business receives scientific attention. For the purpose of this thesis, all information related to the relevant market in the COR of a rich-to-poor diaspora entrepreneur will be regarded as *Market Intelligence*. This could possibly include a multitude of different information, as “Market Intelligence is a broader concept in that it includes consideration of (1) exogenous market factors (e.g. competition, regulation) that affect customer needs and preferences and (2) current as well as future needs of customers” (Jaworski and Kohli, 1990).

As suggested earlier, rich-to-poor diaspora entrepreneurs naturally engage in markets which they presumably don't completely overlook. This may constitute a barrier to the establishment of entrepreneurship, as “inputs such as information about markets contribute to the success of products, firms, and regions” (Cornish, 1997a). As such “intelligence may be generated through a variety of formal as well as informal means” (Kohli and Jaworski, 1990), digital media as a source of information may have an impact on this situation.

As mentioned, the range of Market Intelligence is wide. Due to the explorative character of this thesis, not all the single components of Market Intelligence will be discussed here. Instead, it is left to the empiric part of this thesis to identify aspects of Market Intelligence on which digital media have an impact. Nevertheless, two important components of Market Intelligence shall be shortly mentioned: The Competitive and Customer Intelligence.

3.1.2 Competitive Intelligence

Knowledge on possible competitors is a critical component in establishing entrepreneurship, as it helps to “identify broad product categories that should be avoided or that have high potential” (Cornish, 1997b). Knowledge on competitors thus influences the strategic choices of entrepreneurs (Makadok and Barney 2001). Research on this topic indicates that “the internet, as an information-rich resource [...] has transformed the way that firms gather, produce and transmit competitive intelligence” (Teo and Choo, 2001). Competitive Intelligence will be one of the emphases in the empirical part.

3.1.3 Customer and Cultural Intelligence

It is indisputable that Customer Intelligence – all kinds of information on the customers' needs and preferences - is highly relevant to entrepreneurship. The purpose of this section is thus not to explain how information on customers can be obtained by methods of market research, but to point out why Customer Intelligence could be special to rich-to-poor DE: it is likely that rich-to-poor entrepreneurs will face customers of a different profile in developing or emerging countries than in their COOs. These customers may also belong to another culture than the entrepreneur, which could require certain Cultural Intelligence (not to be confused with the theory of Cultural Intelligence, or Cultural Quotient CQ!). It will thus also be emphasized in the empirical part, whether digital media do have any impact on these areas.

3.2 Networking and Connectivity

As suggested earlier, another area in which impacts of digital media on rich-to-poor DE seem plausible, is networking. The network theory constitutes a separate field of research and will not be extensively explained in this thesis, as literature on this topic is extensive. Nevertheless, some insight shall be presented here, as it might help to identify impacts of digital media on the establishment of DE.

In network theory, “markets are depicted as a system of relationships among a number of players including customers, suppliers, competitors and private and public support agencies” (Coviello and Munro, 1995: 50). Social networks are seen as a way to “get support, knowledge, and access to distribution channels” (Greve and Salaff, 2003: 2). Greve and Salaff (2003) describe the impact of networks on three phases of the establishment of enterprises:

- (1) In the *Motivation* phase entrepreneurs “first explore the possibilities of starting their own business within a small circle of close contacts”. They limit their network to avoid exposure of their intentions.
- (2) In the *Planning* phase entrepreneurs “need to mobilize a larger social network” to acquire “information, new skills, resources, and [...] relations”.
- (3) (3a) In the *Establishment* phase, entrepreneurs are “inclined to concentrate their network to the key persons who are able to provide resources and commitment” once the business is running.

Phase (3b), *taking over a firm*, is of no relevance to this thesis.

This systematization may prove to be relevant for rich-to-poor DE, as digital media can facilitate the establishment of contacts, which seems to be an important factor in the planning phase of entrepreneurship. This may apply especially to rich-to-poor entrepreneurs, as they may not have an existing network in the COR. The question whether digital media have an impact on the creation of social networks in this special case will thus be another focus in the empirical part.

The relevance of networks for the diaspora is logical, as networks constitute a part of the definition and nature of diaspora. The impacts of networks have also been related to diaspora entrepreneurship. Saxenian (2002) documents the involvement of US-based diaspora communities in local and global networks and identifies them as a stimulus for transnational entrepreneurship. Chen and Tao (2009) propose an integrative model of TE which illustrates network influences on the micro-, meso- and macro-level.

Networks are not only of economic importance to Diasporans. They also serve to maintain contact with the homeland, families and friends. As illustrated in chapter 2, digital media have a significant impact on Diasporans in allowing them to maintain their distinct identities and contact to the COO (see e.g. Hepp, Bozdag and Suna, 2011; Brinkerhoff, 2009; Hiller and Franz, 2004). Dekker and Engbersen (2012: 9) observe that “online media play a crucial role in maintaining ties and contacts within geographically dispersed networks of family and friends”. They postulate that “online forms of traditional one-to-one communication and social media enable a virtual co-presence. This creates a feeling of intimacy and proximity when communicating with others living thousands of miles away”. While this function of digital media is not of economic influence, it is a thought that should always be borne in mind.

4 Methodology

4.1 Research Design

The purpose of this thesis is to find impacts of digital media on the establishment of rich-to-poor diaspora entrepreneurship. In chapter three, Market Intelligence and networking have been identified as categories that may possibly be influenced by digital media. This approach honors theory

development as an essential part of the research design (Yin, 2009: 35). However, these findings constitute no concrete research propositions or theories. This is mostly a result of the fact that this thesis is located in a field of research that so far has not been investigated. The character of the empirical part of this thesis is thus exploratory, as it is a first investigation on the impacts of digital media on rich-to-poor DE. The term *exploratory* in this context shall not be understood as the collection of data prior to the definition of study questions, as explained in Yin (2012:35), but shall rather illustrate that research propositions in this study will be output and not input.

In order to gain insight on the research questions, qualitative methods were utilized. As a new topic of scientific interest, quantitative data on rich-to-poor DE is not available and thus quantitative methods were excluded. The unit of research thus are the single rich-to-poor diaspora entrepreneurs that were interviewed for this thesis. Interviews are regarded as “one of the most important sources of case study information” (Yin, 2009: 106).

In recent literature, “using case studies to analyze and explain entrepreneurial issues has become increasingly discussed and accepted” (Urbano, Toledano and Ribeiro-Soriano, 2011). Yin (2009: 18) defines a case study as “an empirical inquiry that: 1) investigates a contemporary phenomenon in depth and within its real life context, especially when 2) the boundaries between phenomenon and context are not clearly evident”. It was thus considered constructive to conduct a case study, as rich-to-poor DE and digital media are contemporary phenomena, the boundaries of which are not clearly evident.

Case study research can include both single and multiple case studies (Yin, 2012). A single case study is the preferred method, when it represents a critical case in testing a formulated theory, an extreme or a unique case, a representative case, a revelatory case or a longitudinal case (Yin, 2009: 47-49). As none of these is applicable, there would not have been an advantage in utilizing a single case study. Instead, a multiple case study was conducted. An advantage of this approach is that evidence from multiple cases is considered more compelling, and the overall study therefore more robust (Yin, 2009: 53).

4.2 Data Collection

As rich-to-poor diaspora entrepreneurs prove difficult to identify, 220 institutions were contacted

by the author to assist in finding suitable candidates for interviews. Amongst the contacted institutions were embassies, cultural institutes such as the German Goethe Institutes and local chambers of commerce of developed countries in developing and emerging countries around the world. This approach generally yielded a low response rate, but in those cases where institutions actively mediated, several responses could be registered. About 20, mostly German entrepreneurs in several countries (Malaysia, Thailand, Indonesia, Paraguay, El Salvador, Ecuador, Ivory Coast and Ghana) responded. These candidates have then been screened by collecting limited documentation about each candidate (Yin, 2009: 91). Two candidates were selected due to the following criteria:

- (1) Age and gender: To exclude bias caused by either the age or the gender of the interviewees, candidates of different age groups and gender were chosen.
- (2) Nationalities: Both interviewees are German nationals. This on the one hand eliminates impacts by different COOs and on the other hand allowed German to be the language utilized which was an advantage with regards to communication.
- (3) Requirements of rich-to-poor DE: only candidates that were clearly classifiable as rich-to-poor diaspora entrepreneurs were considered.
- (4) The COR was taken into account: As rich-to-poor DE covers a high number of countries, both an emerging and a developing country have been chosen, to avoid that findings are influenced by the economic situation in comparable countries.

Two interviews with appropriate candidates were then conducted in July 2014 via Skype over a period of 30 to 60 minutes. The approach to the interviews can be classified as semi-structured: a catalogue of questions was prepared beforehand, but modifications were allowed to be able to react

on new information. The interviews were recorded and then transcribed (see Appendices I and II). The interviewees remain anonymous at their own wish.

4.3 Data Analysis

The analysis of data was organized to identify impacts of digital media on rich-to-poor DE. The technique of pattern matching (Yin, 2009: 136) was used to compare the data to the factors identified as possible areas of impact in chapter three.

In a first step, each interview was analyzed individually, to see, if impacts of digital media can be identified.

In a second step, the data from the interviews was compared to find possible patterns, or otherwise differences or environmental factors to explain these.

The findings are presented in aggregated illustrations supported by narrative descriptions. First, general findings on rich-to-poor DE are presented, followed by findings on Market Intelligence, networking and connectivity.

5 Findings: Two different cases of rich-to-poor DE

5.1 General findings on rich-to-poor DE

The purpose of this thesis is to find impacts of digital media on rich-to-poor diaspora entrepreneurship. Before the respective findings are illustrated, some general insight into rich-to-poor DE is presented. This is due to the fact that rich-to-poor DE is an under-researched area and thus every information on it should be accounted (for concentrated information on both cases, see Table 2). This multiple case study contributes to illuminating rich-to-poor DE as a field of research in providing evidence for the existence of this type of DE. The motivations for rich-to-poor DE in the portrayed cases are of a high heterogeneity and different to identified motivations of other types of

	Case 1	Case 2
Country of origin	Germany	Germany
Age	50-60	30-40
Gender	Female	Male
Country of Residence	Malaysia (Developing)	Ivory Coast (Emerging); also China and Germany
Reason for Diaspora	Job offer for husband	Job offer and engagement in education
Educational background	Higher education	Habilitation , experience in teaching
Business	Catering service for European-style food and production thereof	Consulting service, project-development and training
Year of establishment	2013	2010
Language used in business	Malay	French
Perceived opportunity	Low quality in existing western food; consumer demand by parts of local population	Need for high-quality labor; international contacts; high development potential
Motivation for entrepreneurship	Preference of self-employment; boredom; looking for challenges	Legal requirements, need for involvement, founder of several firms
Personal affinity to digital media	Low, mainly used for practical purposes	High
Affinity to and availability of digital media in COR	High affinity & good network coverage	Increasing, especially mobile communication. Bad coverage
Size of Diaspora community	Sizeable	Small

Table 2: Characteristics of Cases

diaspora entrepreneurs. Both entrepreneurs are united in that they didn't plan to engage in entrepreneurship in a poorer country, but rather identified an opportunity once that circumstance brought them to such a place. Case 1 came to Malaysia with her husband, who received a job offer in Kuala Lumpur just briefly before retirement. She mentions the need to "do something" and to be self-employed as her motivation, as well as frustration with the quality of products in her field of business.

Case 2 in contrast was more or less "forced" to pursue entrepreneurship. Due to legal requirements, he needed to be self-employed to be able to work for a big European company. He states that he "utilized the chance" to realize some of his ideas. In his case, personal contacts and involvement in education brought him to the Ivory Coast. It is also noticeable, that both cases possess a high level of education. Case 2 even has worked as an assistant professor before. Case 1 on the other hand exhibits extensive experience in entrepreneurship. This seems to be another point in which rich-to-poor DE is different to other types of DE.

Both entrepreneurs also mention severe institutional constraints in establishing an enterprise. Case 1 regards obtaining a work permit as the biggest challenge in the establishment period of her business. Only due to meeting a high official

by chance, she was put in a position to start working. Case 2 names corruption in a public authority as a reason of unrest.

5.2 Digital media and Market Intelligence

In chapter three it was suggested that digital media could have impacts on the acquisition of information such as the different aspects of Market Intelligence. The findings from this multiple case study give evidence to confirm this assumption (see Fig. 1 for an illustration).

Case 1 highlights the importance of digital media to gain knowledge on cultural details. The entrepreneur used the internet to find out "for example: what do you have to do in order to make your kitchen halal. This is incredibly important here. [...] nothing in the kitchen is allowed to have ever had contact to pork meat. I read this all up on the internet. There are incredible standards... I didn't expect that". It can thus be concluded, that in this case, digital media were used to gather cultural information that were necessary for the establishment of a business. The entrepreneur did not possess this knowledge due to her origins.

Case 1 also illustrates how digital media can be used by rich-to-poor diaspora entrepreneurs to acquire intelligence on possible competitors and customers. The entrepreneur states: "Of course I

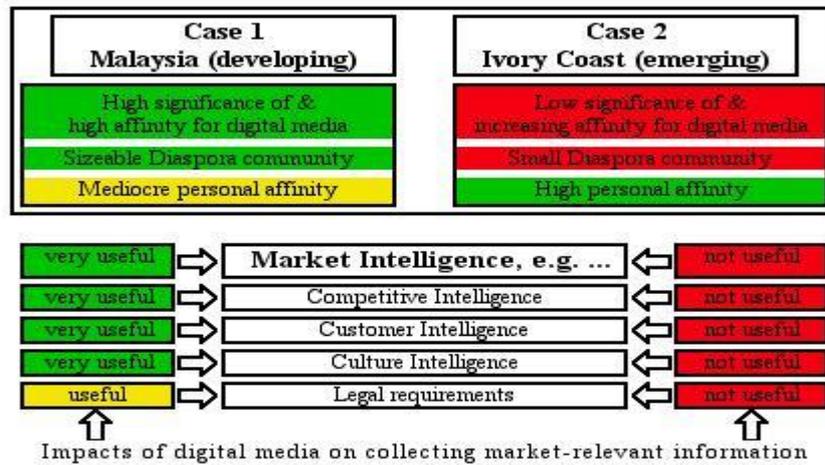


Figure 1: Digital Media and Market Intelligence

searched on the internet. To inform yourself on competitors nowadays, you just have to look at their homepages. So I looked for restaurants [...] who also sell European food. It didn't take me long to realize [...] there are mainly fastfood companies, and that has got nothing in common with real European food. Everything else was either just for tourists [...] or luxury. So that's where I saw a gap." In reference to customers, she states: "I also researched on the internet. Of course you don't find out as much as you do about other restaurants, but there are... food-blogs and stuff like that, as well as forums, where people discuss food. That's where I realized: The Malay are interested in European food... just as they are interested in everything that is in some way western or modern... Well, so I tried it."

Next to these findings, the topic of legal requirements to establish a business came up. Questioned on the usefulness of digital media in this regard, the entrepreneur stated: "Well... of

course, you do find some things on the internet, the agencies all have homepages. But the information was only partially useful... the counseling from the chamber of commerce was more helpful; they do know a lot, so you don't have to do everything on your own."

The findings from the first case provide evidence for the usefulness of digital media in obtaining market-relevant information. The second case though seems to indicate the exact opposite: The entrepreneur states, that digital media were not useful to obtain information in the establishment phase. He states that "the reality in the ministries is that most people don't even have a computer, so they can't do anything. So you have to go there, in person, visit the people". He then proceeds to relativise this statement, as "by now, this is different. [...] you can find much more online, and there are contact persons who do actually answer an email". Nevertheless, in his case, digital media did not have an influence on gathering information.

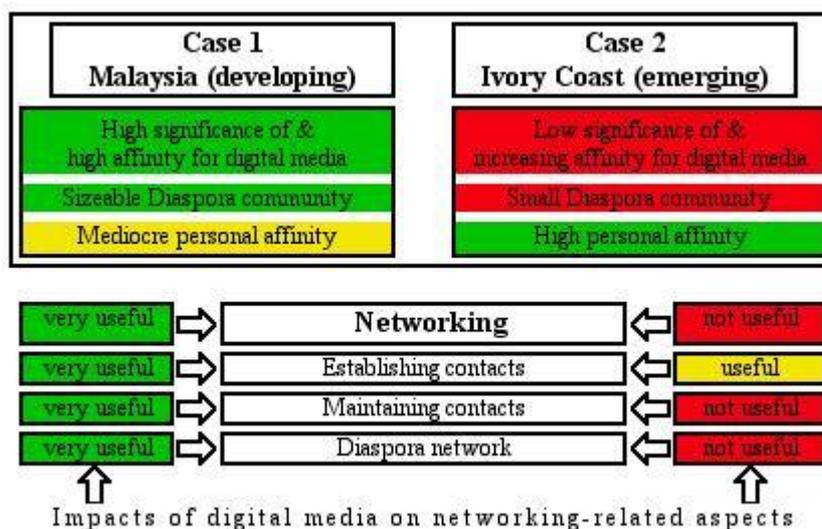


Figure 2: Digital Media and Networking

With regard to information on customers, competitors or culture, he answered: “Well, I tried it... but in the Ivory Coast you can’t find something like that. Everything is based on personal contact... or personal experience.”

The findings from the two cases seem to be contradictory. This discrepancy can be explained, if the variables influencing the impacts of digital media are investigated. Malaysia and the Ivory Coast are two very different countries:

Malaysia is regarded as one of the most advanced developing countries, whereas the Ivory Coast is an emerging country with a lot of social and political unrest in recent years. The phenomenon of the digital divide has been mentioned in chapter 3.1 and can be of assistance here: The Ivory Coast is, in comparison to Malaysia, a “poor” country and as such, the internet and other digital media are not widely spread and available. This is confirmed by the entrepreneur: “My first project here was [...] a website to sell African art, [...] but I quickly realized that this was a catastrophe, especially the logistics. Some days, you consider yourself lucky here, when you have access to electricity.” He also notes that “there is simply a lack in basic infrastructure... you can’t establish Amazon here, because you would have to build proper streets first. Of course, everything exists to a certain point, but not enough for the internet to take effect. It is more about basic innovations, like actually being able to communicate. [...] it is only for a small elite in the population, the mass of the people has got nothing to do with it.” He also notices an increasing affinity for mobile communication, as “a mobile phone is always the first thing you buy.”

Case 1, on the opposite, states that “internet coverage in the big cities is outstanding; if you drive to the country you have 3G, sometimes not, but in general it is pretty good.” She also notices a high affinity for digital media in the COR: “The affinity for digital media is incredible, you won’t imagine it... [...] you are not going to find anybody without a Smartphone”.

From this insight it can be concluded that the availability, significance and affinity for digital media are requirements for them to have impacts on rich-to-poor DE establishment. The following research proposition is thus formulated:

P1: Given a certain level of affinity and significance of digital media in the COR, digital media can be a tool for rich-to-poor diaspora entrepreneurs to gain information on a foreign

market during the establishment phase.

5.3 Digital media and networking

Another possible area for impacts of digital media identified in chapter three is networking. The multiple case study provides evidence to support this suggestion (see Fig. 2 for an illustration). In case 1, digital media were used to make contact to institutions that could be helpful in the establishment of business. The entrepreneur states: “Of course one communicates via Email, no question. I investigated: who could be relevant network partners for me; for example the Malaysian-German chamber of commerce, the German-Speaking Society, the Institute Francaise... I looked them up on the internet and contacted them, which saved me a lot of time.” In this case, the entrepreneur consciously used digital media to extend her network. This proved to be a big benefit for her, as she found the first bigger customers for her catering-service this way. She also highlights the importance of digital media in day-to-day communication with network partners: “Of course, the basis of communication is always digital media, otherwise it wouldn’t be possible. And everyone asks me for homepage, Facebook...” To summarize, in case 1 digital media were used to expand and maintain the entrepreneur’s network. It is also noticeable, that this was mainly restricted to contact with other diasporans or diasporan institutes.

Again, case 2 seems to give contrary results. Although the entrepreneur characterizes digital media as “very useful” and states “I work a lot with digital media”, he mainly gives negative examples afterwards: “You honestly have to say that, for example, you can’t use email to organize a meeting here in the Ivory Coast. There are some people with whom you can work together in this way, but you can’t depend on things like that [...]. You need to make phone calls, be very present, make a lot of personal contacts and make friends; it’s all still very classic.” He nevertheless also mentions one task where digital media were beneficial: “what worked very well was, to bring in interns. I simply contacted some German universities, and suddenly had twenty people ready.”

Again, the variables in the background need to be regarded to make sense of this contradiction. As explained in chapter 5.2, a certain level of availability of digital media is needed as a prerequisite for them to have impacts on obtaining information. The same seems to apply for the

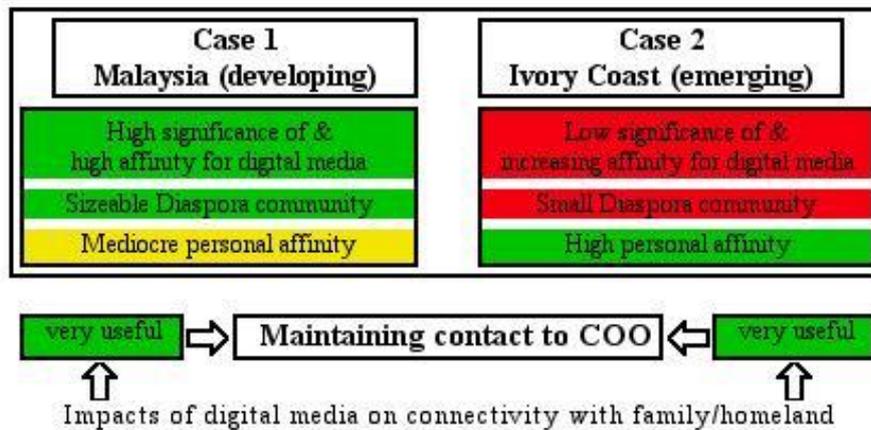


Figure 3: Digital Media and Connectivity

impacts of digital media on networking in rich-to-poor DE. Besides that, there is another factor that seems to be influencing. As mentioned before, in case 1 digital media were mainly used to expand a network based on the German diaspora. This can explain why the impacts of digital media on networking are restricted in case 2: The nature of the diaspora in Malaysia and in the Ivory Coast differs considerably. Whilst the German diaspora amounts to “3500 persons in Kuala Lumpur alone, probably even more by now”, the German diaspora in the Ivory Coast is described as “a relatively small community, [...] probably about 100” and “these are often failed characters, who somehow find themselves in Africa [...] but also some top-class people in important positions”. It can thus be formulated:

P2: Given a certain level of significance of digital media in the COR and a sizeable diaspora community, digital media can be a tool for rich-to-poor diaspora entrepreneurs to expand and maintain a network, mainly based on the diaspora community, to support establishment of business.

5.4 Digital media and connectivity

The findings from the case study also indicate another factor that should not be ignored, despite the fact that it is not of direct influence on the business: the way digital media influence maintaining contact to family, friends and the homeland in general. Despite their unique characteristics, rich-to-poor diaspora entrepreneurs are still in some way migrants or diasporans. The positive effects of digital media on poor-to-rich diasporans have already been discussed in chapter two, and this case study provides evidence for similar effects in rich-to-poor diasporans.

The entrepreneur in case 2 states: “I commute

between China, Africa and Europe, and so [digital media] are indispensable... without Skype or similar programs I would only see my family for some weeks in the year... and that’s not what you want, no matter how much you like what you are doing, being internationally involved. So without these possibilities... I wouldn’t be doing what I do.” Similarly, case 1 answers: “Of course I regularly use Skype and Emails and WhatsApp to stay in touch with my family and friends... also platforms like Xing, I do use that. [...] no, I think I wouldn’t have gone [to Malaysia] if that wouldn’t exist. You don’t want to give up that much.” Thus, whilst it is no aspect of the business during establishment, it can be suggested that:

P3: Digital media enable rich-to-poor DE, as they allow diaspora entrepreneurs to stay in touch with their family, friends and the homeland in general, but still pursue entrepreneurial activities in a distant country.

5.5 Other influences of digital media

Next to these impacts, some other insight from the case study are of interest. It is not used to generate further research propositions, but is still worth mentioning.

For example, the entrepreneur based in Malaysia additionally runs an advertising agency in Germany, which is partly only possible thanks to digital media: “[...] and I can write marketing concepts and communication concepts just as good from here... Some customers don’t even know that I’m in Malaysia... that’s of course only possible, because the methods for communication exist; Email, Skype and so on”.

She also mentions that the use of digital media in Malaysia is so popular that customers use programs

such as WhatsApp for their orders: “Everyone I asked: When do you want that delivered? or similar questions, the answer always came back on WhatsApp. So I proceeded to create an own group for my Deli on WhatsApp, and use that to inform, what are the things offered today – and then people order.”

Case 2 on the other hand mentions the logistical advantages created by digital media. When asked if he would be able to be an entrepreneur without digital media, he answers: “No! You don’t need to discuss about that. That’s extremely important, for example I just booked a hotel in Cameroon, such things can be done much quicker now. Even cities in Africa can be found on Google Maps. [...] A lot of people think that Africa is the jungle and so far away, but that’s all not true any longer.”

6 Conclusion

6.1 Implications and Limitations

This thesis gives a first account of the impacts of digital media on the establishment of rich-to-poor diaspora entrepreneurship. First, all the relevant concepts for a framework were explained. Afterwards, possible areas of impact were identified, which subsequently were investigated to find research propositions. To conclude this work, some implications, limitations and research prospects are discussed.

To gather data on this phenomenon, a multiple case study was conducted. In comparison to a single case study, this approach bears the advantage that the results are not based on a single case. To rely on findings from a single case can be a major flaw to scientific work, as that one case might prove to be unique and thus influence the results in a way that does not help to explain the research question in general. Although multiple case studies reduce this risk, it is still possible that the examined cases are not representative and thus lead to wrong results (Yin, 2012). Therefore, the insight from this case study might be biased and to a certain degree not characteristic for the impacts of digital media on rich-to-poor DE.

As an example, both portrayed cases are post-migrant entrepreneurs, which means that they made the decision to become an entrepreneur after they already arrived in another country. In other cases, where entrepreneurial opportunities are the main reason to move to a certain country, it seems likely that digital media would have other impacts on the

establishment of business, e.g. in comparing different countries or markets on their economic conditions. Similarly, due to the high homogeneity in rich-to-poor diaspora entrepreneurs, other entrepreneurs with other motives may use digital media in totally different ways. Also, the findings from this case study might be influenced by the coinciding nationality of the interviewed entrepreneurs, or other random factors.

The findings of this thesis also rely on certain variables in the entrepreneurial environment that have been identified to make sense of different results. As these variables are not supported by quantitative data, they might prove a source of misinterpretation.

From the findings of this case study it can be concluded that rich-to-poor diaspora entrepreneurs should actively and consciously use digital media to gather relevant information and to build and expand a business network. Also, institutions that can be of relevance for entrepreneurs in developing or emerging countries need to be aware of the importance of digital media as a tool for information and communication.

6.2 Outlook

This thesis suggests the following research propositions to future research:

P1: Given a certain level of affinity and significance of digital media in the COR, digital media can be a tool for rich-to-poor diaspora entrepreneurs to gain information on a foreign market during the establishment phase.

P2: Given a certain level of significance of digital media in the COR and a sizeable diaspora community, digital media can be a tool for rich-to-poor diaspora entrepreneurs to expand and maintain a network, mainly based on the diaspora community, to support establishment of business.

P3: Digital media enable rich-to-poor DE, as they allow diaspora entrepreneurs to stay in touch with their family, friends and the homeland in general, but still pursue entrepreneurial activities in a distant country.

As the impacts of digital media on rich-to-poor DE have proven to be significant, future research needs to highlight and expand knowledge on this connection. Furthermore, broader research to identify other impacts of digital media and to

investigate the general significance of the phenomenon is needed. As indicated before, the digital media usage of entrepreneurs that made the decision to become a rich-to-poor entrepreneur before actually moving to a country needs to be investigated.

Also, the specific media that rich-to-poor entrepreneurs use need to be clarified. Of interest to research could also be the correlation with others factors such as cheap and time-efficient travelling.

The phenomenon of rich-to-poor DE in general needs to receive further attention, as this thesis has given more evidence of the existence of this type of DE. The motivations and characteristics of rich-to-poor entrepreneurs are believed to be highly diverse and unique. This case study supports this suggestion. Understanding these factors can be regarded as a requirement to understand rich-to-poor diaspora Entrepreneurship.

This case study also gave evidence that a further distinction between rich-to-poor DE in developing and emerging countries may prove useful. The impacts of digital media seem different in these two cases, and thus it may also be worth to investigate if the economic situation has influences on other aspects of rich-to-poor DE. As an example, the entrepreneur in Case 2 mentioned development assistance as one of his motivations. It may thus also be worth looking into the impacts of rich-to-poor DE on the COR.

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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 strengths 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

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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 out of two words, which are “Diaspora” and “Entrepreneurship”. Entrepreneurship is referred to as “[...] managerial complexes of tasks, which need to be supervised to specific adaptations 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.

Author/Title of Paper	Insights/Findings
<p>Gordon C. K. Cheung (2004): <i>Chinese Diaspora as a Virtual Nation: Interactive Roles between Economic and Social Capital</i></p>	<ul style="list-style-type: none"> • 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 upholding 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)
<p>The Afrique-Europe Platform (Eds) (2013): <i>Diaspora Entrepreneurship & Development</i></p>	<ul style="list-style-type: none"> • 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. • Positive developments recognizable on a macro-level: a possible contribution to peace and social stability, improvement of human rights, stimulation of knowledge, strengthening governments, facilitate brain-gain. (The Africa-Europe Platform (Eds.) 2013:5;10)
<p>Natalia Kühn (2010): <i>Die Wiederentdeckung der Diaspora</i></p>	<ul style="list-style-type: none"> • 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 its social capital. • Transnational networks of family and friends are seen as a sort of adaptation and survival strategy by most actors when faced with global challenges. • For migrants, diaspora offers an ideally 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 resource. (Kühn, 2010:52f.;293)
<p>Rocío Aliaga-Isia, Alex Rialp (2012): <i>How Do Information and Experience Play a Role in the Discovery of Entrepreneurial Opportunities?</i></p>	<ul style="list-style-type: none"> • 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. (Aliaga-Isia, Rialp, 2012:64;72f.)
<p>Sonja Haug (2007): <i>Soziales Kapital als Ressource im Kontext von Migration und Integration</i></p>	<ul style="list-style-type: none"> • 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, 2007:97f.;104)
<p>Liesl Riddle, George A. Hrivnak, Tjaj M. Nielsen (2010): <i>Transnational diaspora entrepreneurship in emerging markets: Bridging institutional divides</i></p>	<ul style="list-style-type: none"> • 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, Hrivnak, Nielsen 2010:406)

Table 1: State of Research

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.

Quantitative	Qualitative
Laboratory	Field
Deductive	Inductive
Particular	Holistic
Explanatory	Exploratory
Explaining	Understanding
Using „Hard“ Methods	Using “Soft” Methods
Measuring	Describing
Sample	Case
Behavior	Experience

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

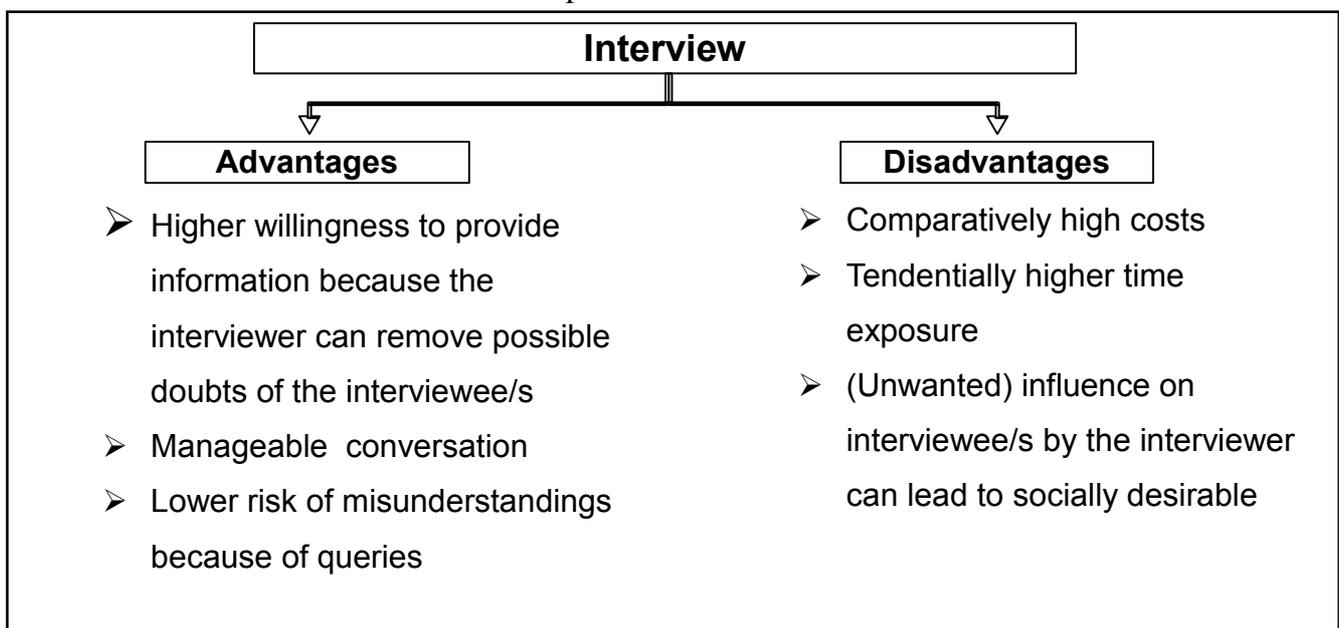


Figure 1: Advantages and disadvantages of interviews

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 by intentionally refusing to assimilate into a host society through endogamy or different forms of intended or unintended self-segregation. Boundary-Maintenance is an indispensable trait of

diaspora, that makes the diaspora community so distinctively unique (Brubaker 2005:6).

“Network Resources”: In this case the potential outcome generated through the interaction among diaspora network members is concerned. As already mentioned in chapter 2.3, various resources are embedded in social structures, which yield opportunities (Hennig 2010:181). This sub-indicator tries to figure out if and how resources in social structures within a network have helped diaspora entrepreneurs to found their businesses.

The second key indicator is “Social Capital”, bringing along the sub-indicators:

“Trust”: Onyx and Bullen (2000) have identified trust as a key factor in analyzing Social Capital (Onyx, Bullen 2000:23).

“Trust entails a willingness to take risks in a social context based on a sense of confidence that others will respond as expected and will act in mutually supportive ways, or at least that others do not intend harm” (Onyx, Bullen 2000:24).

Trust therefore rests upon familiarities, friendship and shared values (Onyx, Bullen 2000:25). In doing so, one can recognize a social aspect in trust. 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. Trusting fellow citizens leads to a stronger involvement in volunteering, contributing to charity, participating in politics, tolerating views of minorities etc. (Putnam 2001:135ff.).

“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.

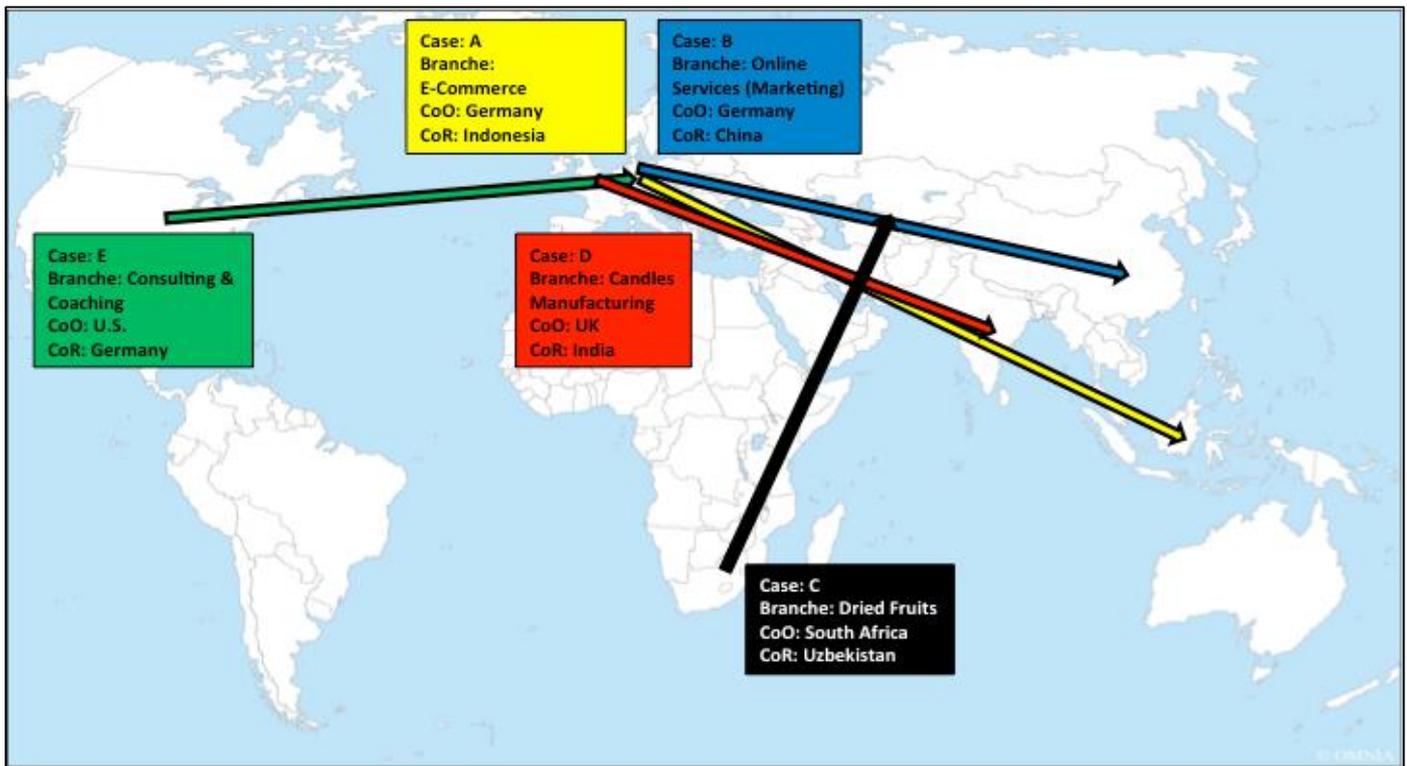


Figure 2: Location of the Interviewees

“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 ehmm 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 ehmm 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 new perspective to the importance of diaspora entrepreneurship. Here the entrepreneur shared that the business he started immediately stopped as soon as he left the country.

“What I am, you know what I am sad about is that local people had not yet reached the level. Of earning the trust of the western buyer. So the key reason for the business isn't going is because I am not there anymore. And so the local person doesn't trust the foreign buyer and the foreign buyer doesn't trust the local person” (Case C 2015:5f.).

This example underlines the importance of diaspora entrepreneurship. Without the level of trust that certain diasporas bring some other

countries might not be able to do as much business as they could with the help of foreigners.

5 Discussion

While it seems that the findings of each interview may be simply reflected as “confirmed” or “not confirmed”, there is much more to interpret and discuss. In the following chapter the findings for the three indicators “Diaspora Network”, “Social Capital” and “Success and Satisfaction” will be discussed.

5.1 Discussion of the indicator “Diaspora Network”

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.

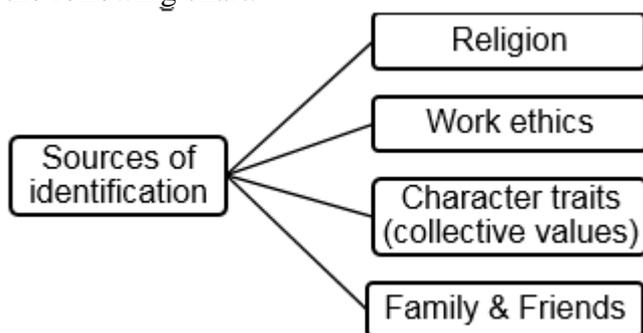


Figure 3: The four sources of identification

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. As for the sub-indicator "Information and Communication" his primary source of information and customer 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 customer from his country of origin due to the fact that most of his customers 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. Trust is heavily influenced by connection to diaspora networks. 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.

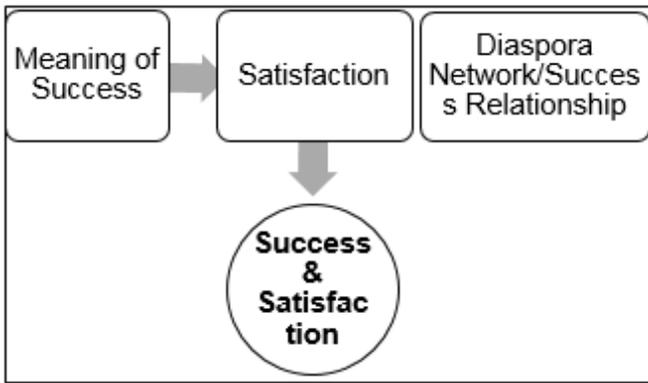


Figure 4: The links within the indicator "Success and Satisfaction"

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

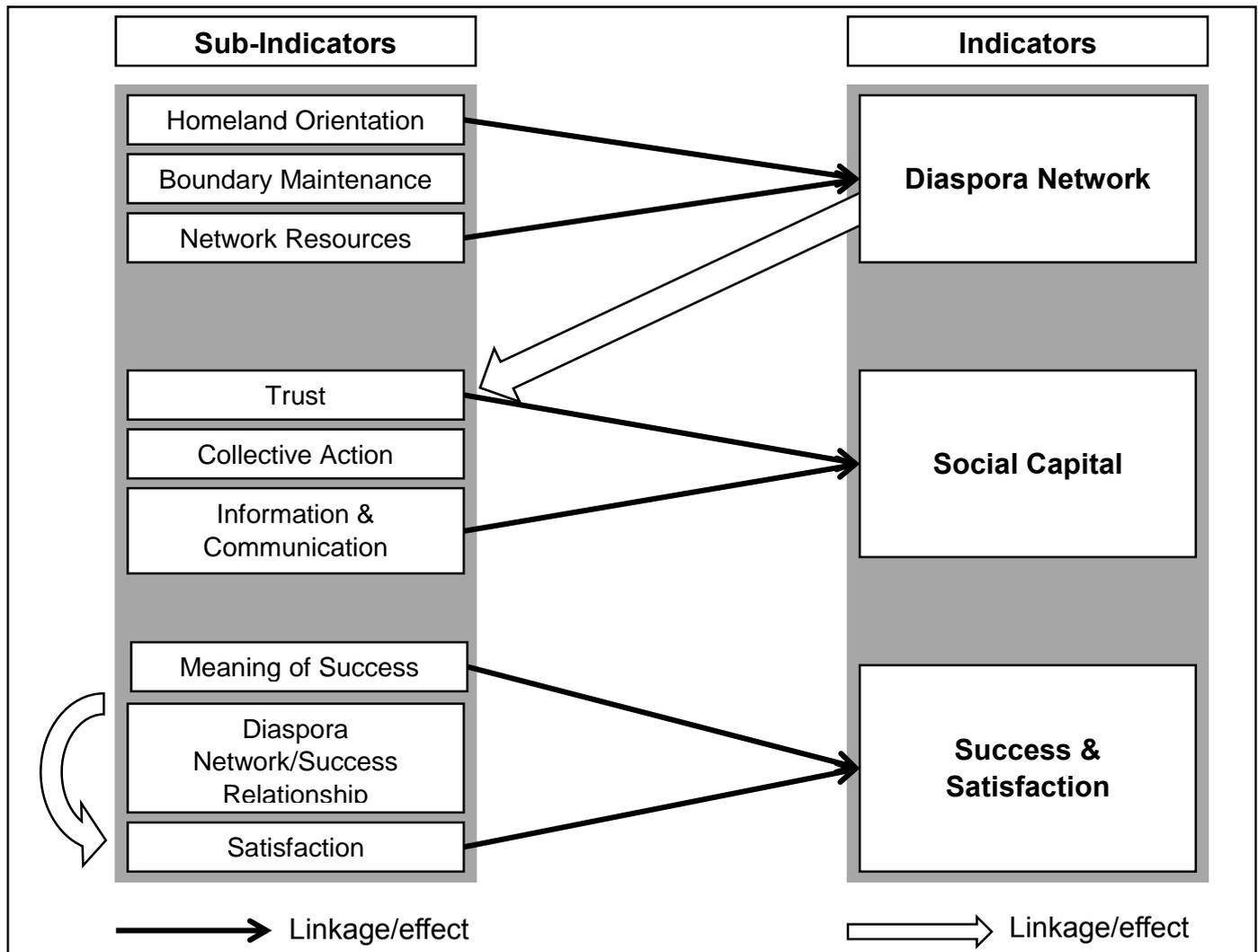


Figure 5: Full-size model of the proven relationships between and within indicators and sub-indicators

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 countrymen 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 countrymen that were already familiar with the business environment in the country of residence, others were trained by members of their diaspora to be able to undertake their business, turned to fellow 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 countrymen. 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 countrymen in his personal sphere that helps him to successfully lead their business.

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The Impact of Diaspora Networks on the Motivation to Found a Diaspora Start-Up

Kim Kaufmann⁵

Abstract

The descending diaspora entrepreneurs (DDEs) who come from developed economies and establish their ventures at developing or emerging countries are creating innovation and economic wealth for the countries of residence. In countries with weak institutions such as lower levels of formal sector participation, corruption as well as political instability, there are many barriers DDEs have to face when start up a company. By creating a diaspora network to share the information about the life as well as market situation of the country of residences, the DDEs could reduce the uncertain factors. In this study, the author focus on the dynamics of social and business ties within diaspora networks with regards of their impact on the entrepreneurial motivation of DDEs.

Analyzing an empirical practice of German entrepreneurs' network in South Africa, the study found the role of diaspora network in establishing a business outside the country of origin. As members of the network, they gained valuable information not only for their lives outside the country but also for searching entrepreneurial opportunities and identifying potential customers.

Keywords: *Diaspora entrepreneurship, descending diaspora entrepreneurs, diaspora networks, start-up, German, South Africa*

1. Introduction

Diaspora entrepreneurship and thereby the mobility of highly-skilled workers has become a key issue in economics in recent years, attracting the attention of both policy-makers and academics owing to its high social and economic relevance to the modern transnational world. Diaspora entrepreneurs refer to migrants and their descendants who establish entrepreneurial activities spanning the national business environment of their countries of origin and residence (Riddle, Hrivnak and Nielsen, 2010). Governments of developing and emerging countries face the challenge of promoting entrepreneurship, since it is an important factor for economic growth and development by generating employment, driving technical change and increasing innovation, as well as economic wealth (Schumpeter, 1934). Notwithstanding the recognition, previous researchers strongly focused on environmental characteristics that promote entrepreneurship, while ignoring human agency (Aldrich and Zimmer 1986) and the character of migration as a collective process on the needs and strategies of networks. This can be explained by the assumption of perfect rationality of all economic actors. Despite previous research emphasizing the role of diaspora networks as an important factor influencing the likelihood of their entrepreneurship by facilitating successful firm emergence, growth and performance (Dutia, 2012), there is very little evidence concerning how and to what extent these networks are relevant. Any attempt to encourage diaspora entrepreneurship needs to take account of

the heterogeneity within the diaspora phenomenon and the potential link between sociological and economic accounts of business behavior. Within the phenomenon of diaspora entrepreneurs, various types of individuals with different motivations and migration paths exist. This study focuses on descending diaspora entrepreneurs (DDE), who migrate from developed countries to less developed ones (Harima, 2014). Given this background, this study focuses on the effect of business ties and social structure within diaspora networks on the economic performance and outcome, which may have a positive influence on entrepreneurial motivation. Studying diaspora entrepreneurship through analyzing social and business ties offers an advantageous perspective on entrepreneurship since it is assumed that economic behavior is embedded in a social structure (Granovetter, 1985). This perspective enables understanding the network perspective of social processes influencing founding rates and facilitating entrepreneurship (Hoang, Antoncic 2003). The purpose of this study is to close this research gap and explore the dynamics of social and business ties within diaspora networks regarding the entrepreneurial motivation of DDEs. This study is thus driven by four interrelated questions about undisclosed aspects concerning the behavior of diaspora entrepreneurs and diaspora networks. First, which kinds of networks are used during the different phases of the entrepreneurial process? Second, in what way are diaspora networks able to act as a pull factor for the further migration of

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diaspora entrepreneurs from the same country of origin (COO)? Third, what kind of advantages can diaspora entrepreneurs derive from establishing contacts in diaspora networks? Finally, do these kinds of advantages have a positive effect on the motivation to found a diaspora start-up? In order to answer these research questions, a qualitative study constructed as a multiple case study method based upon grounded theory is employed. To contribute to the early theory development of these complex social group phenomena, two German diaspora entrepreneurs who founded their business in Cape Town, South Africa, will be empirically overserved. Accordingly, the remainder of this study is structured as follows. Firstly, the concept, characteristics and importance of entrepreneurship in general and descending diaspora entrepreneurship (DDR) in particular will be discussed. Subsequently, previous research on networks in the context of entrepreneurial activities will be reviewed and causal propositions will be developed based upon identified factors of networks and entrepreneurship. Following the methodological explanation, the findings from the two case studies will be analyzed along with the previously developed propositions. The results and implications are subsequently discussed and the study's limitations are addressed with future research directions suggested.

2. Conceptual Foundations

2.1 Diaspora Entrepreneurship

Migration has gained increased significance to the modern society due to transnationalism, globalization and the IT related communication revolution with about 232 million reported international migrants worldwide in 2013 (Department of Economic and Social Affairs, 2013). Therefore, diaspora entrepreneurs - defined as migrants and their descendants who establish entrepreneurial activities spanning the national business environments of their countries of origin and countries of residence (Riddle, Hrivnak and Nielsen 2010) – have gained a high social and economic relevance to the modern transnational world by their several positive effects on economic development through home country investment (Barnard and Pendock, 2013), immigrant economic adoption to the local economy (Portes et al. 2002) and transferring information and technologies between their country of origin (COO) and country of residence (COR). Entrepreneurship is also an important factor for economic growth and development by generating employment,

increasing competition and creating innovation as well as economic wealth. For these reasons and by driving technical change by rearranging resources in a new way that will ultimately lead to economic growth (Schumpeter, 1934), entrepreneurship is particularly important for developing countries. The process of venturing a new business depends on such factors like opportunity costs, available financial capital and social ties to investors, the perception of risk and opportunity as well as the career expectations in the particular COR (Evans and Leighton, 1989; Aldrich and Zimmer, 1986). However, the willingness and ability to pursue opportunities also depends on the moving direction of a diaspora entrepreneur. In general, they are seen as individuals who are forced to migrate from developing or emerging to developed countries by political reasons, economic crises, a great deal of crime, victimization or by alienation and loss (Vertovec, 1999) and thus being pushed into entrepreneurship to provide livelihood to them and their families. Aside from these individuals who are less qualified and face problems in COO such as a lack of job possibilities and an absence of other alternatives - called ascending diaspora entrepreneurs (ADEs), there are numerous individuals who migrate from countries with higher economic standard to a lower one, called descending diaspora entrepreneurs (DDEs) (Aki Harima, 2014). In short, these individuals become diasporans to fulfill their entrepreneurial, career or social goals (Vissak, Zhang and Ukrainski 2012). Other DDEs who choose this migration direction try to exploit the gap between COO and COR to ultimately achieve the most profit. Since the generalization in diaspora analysis can lead to misconceptions, this study focuses on the dynamics that affect DDEs.

2.2 Descending Diaspora Entrepreneurship

Although most of research on diaspora entrepreneurship implicitly or unconsciously focuses on ADEs who migrate to increase their quality of life, diaspora entrepreneurship is a complex phenomenon with a variety of diaspora entrepreneurs (Cohen, 2008), who mostly differ in terms of their particular motivation. Through the evolutionary process of entrepreneurship, the individuals – who want to start a business far away from their COO – have to make numerous decisions concerning many steps along the way. To fully exploit opportunities and pursue resources, a certain amount of motivation is necessary. Although entrepreneurs are more likely to migrate and start a new business in a country with a more

favorable market situation, regulations and policies than in their COO, DDEs are willing to take higher risks with the decision to move to a country with less economic freedom, lower levels of formal sector participation, corruption and political instability. Compared to ASDs, the probability of success of the entrepreneurial process of DDR is low. Those individuals who are willing to proceed despite these additional obstacles are assumed to be more optimistic and motivated than people deterred by these disparities (Collins, Shane and Locke 2003). The first difficulties emerge from the migration process itself, with complications such as quota work permits, application backlogs, evaluation of qualifications, police clearance and permanent residence applications (Rasool, Botha and Bisschoff, 2012). Besides the challenge of moving to a different country including all dealings with authorities and bureaucracies, DDEs have to face the complex problem of venturing a new business in an entirely new market. In order to progress, they have to engage with these significant hazards with respect to their financial, psychic-well-being and career development (Liles, 1974).

2.3 *Network Research*

Despite the significant role of diaspora networks that arises from the growing importance of diaspora entrepreneurship, the term diaspora network still suffers from the absence of a clear definition. Networks in general are defined as “sets of interpersonal ties that link migrants, former migrants, and non-migrants in origin and destination areas through the bonds of kinship, friendship, and shared community origin” (Massey, 1988: 396). Therefore the concept of diaspora networks can be used for connections for business and economic activities as well as culture and language preservation, which are not bounded to specific geographic locations and are built by the bonds of kinship, friendship and shared community origin. Individuals develop these transnational linkages because they provide the best ways of dealing with the situation of migration and starting a new business in a different country. The other diaspora entrepreneurs living in the COR had to face the same obstacles during the phases of immigration and founding a new business in an entirely new market and are thereby able to provide suitable solutions and support (Castles, 2002). Theorists thus argue that once diaspora networks based upon common ethnicity are formed, they act as a pull factor for further migration by contributing to cultural maintenance and helping other migrants integrate into the COR (Light,

1972). Thereby, the macrosocietal political or economic conditions that initially may have caused the beginning of the migration flows of entrepreneurs become less important (Massey, 1988; Riggins 1992). Diaspora entrepreneurs often share information through this channel of communication about the standard of living and market situation of the COR with would-be entrepreneurs in their COO, who are interested in migrating to the same country. By using this kind of information, would-be diaspora entrepreneurs can minimize their interactions with the local bureaucracy and formal local institutions and reduce the economic risks of immigration (Massey, 1988; Dhesi, 2010). In conclusion, the diaspora network is used to hoard and conceal crucial information to the benefit and advantage of the specific ethnic group. Accordingly, all members can rely on the network through mutual trust (Light, 1972).

Emerging entrepreneurial firms have to seek information and resources that help to gauge their underlying potential to complete essential activities of the entrepreneurial process such as opportunity identification, resource and information mobilization, as well as the establishment of a start-up business (Shane and Venkataraman, 2000). Under the dynamic conditions under which this process may occur, entrepreneurs have to face situations as aforementioned with increased uncertainty, barriers, failures and dissatisfaction. Therefore, most entrepreneurs, as the agent of the firm, search for business contacts of co-ethnics to ensure the development and growth of their start-up business (Jarillo, 1989; Hite 2005). They are able to obtain this kind of information concerning the best industries to enter, pricing, technology, business methods, consumer demand, import and operational regulations or the like due to business relations within the diaspora network. The interconnection of diaspora firms can occur in a large number of variants of relationships with well-regarded individuals and organizations including supplier relationships, prior strategic alliances or trade association memberships, all to serve the purpose of minimizing the abovementioned risks associated with the establishing of a business (Hoang and Antoncic, 2003). The entrepreneurial diaspora network comprises “the set of relations between the entrepreneur and their direct contacts, including interrelations between these direct contacts” (Bliemel, McCarthy and Maine, 2014: 367) and is used for different purposes during the three phases of founding a business. These are

identified as: 1) idea development; 2) organizing the founding of a firm; and 3) running a newly established firm (Greve 1995, Wilken, 1979). The advantages of using entrepreneurial networks during these particular phases are the possibilities to gather essential information and advice, purchasing at advantageous prices, adopting and imitating efficient routines from other firms and generating growth benefits through cooperation, whereby entrepreneurs can create several cost advantages (Zhao and Aram, 1995; Light, 1985). A further advantage is that diaspora entrepreneurs living in the same COR can serve as reputational intermediaries for domestic firms in foreign markets.

In the past, transnational groups like diaspora related by culture, ethnicity, language or religion, generally operated through small media like weekly newspapers, magazines and radio to satisfy the information needs of their communities (Karim, 1998). Globalization and the technological development of communication technologies like the Internet has driven the rise in knowledge intensity by allowing an easy connection between members of specific communities residing in various continents. Accordingly – and because the users have access to community information instantaneously – the dynamics of diaspora networks has completely changed in recent years (Sheehan and Tegart, 1998). The determining factor of this development is that online media is easier to access, mostly non-hierarchical, and relatively cheap compared to the broadcast model of communication only offered to minority groups. Diasporic websites provide in addition general information about bureaucratic requirements, migrational processes and living conditions as well as forthcoming cultural events in the COR. Many of these websites also offer chat rooms, where users can obtain more specific and individual information from other group members and start discussions about topics like culture, literature, safety for foreigners, entertainment, politics, and current events (Karim, 1998). Digital diaspora entrepreneurship networks, as a kind of ethnic digital networks, gained significantly in strength and salience in recent years and thus increase the volume of migration by contributing to ethnic cohesion as well as by helping members to integrate into the larger society (Castles, 2002; Riggins, 1992).

Network perspectives are built on the approach that decisions of entrepreneurs are always influenced by the social context in which they are embedded in, as well as by their respective position within

their social network. When diaspora entrepreneurs migrate from their COO to the COR, they seek for connection to individuals who share the same background including culture and language as well as social graces and values. Based upon these similarities and in addition shared entrepreneurial ambitions, diaspora entrepreneurs try to rebuild a network of personal affiliations to satisfy their needs during the migration and founding process (Eisenstadt, 1952). These reconstructed social ties - defined as “a set of nodes (e.g. persons or organizations) linked by a set of social relationships (e.g. friendship, transfer of funds, overlapping membership) of a specified type” (Laumann, Galakiewicz and Marsden, 1978: 458) - enable entrepreneurs to socially and economically integrate and settle into the COR. This phase of integration is connected to a greater residential permanency due to less stress and anxiety of the entrepreneur (Thanh Van Tran, 1987), which is very beneficial to the development and success of the particular business. Most ethnic communities essentially comprise an informal network of interpersonal relations with ties of friendship, although many of these gradually develop into a more formal structure with commercial and service organizations, growing into forms of organized welfare, clubs as well as mutual aid societies (Breton, 1964). Both the informal and formal network as well as the variations of networks in-between these two extremes are concerned with promoting social ties, connections and activities between diaspora entrepreneurs from the same COO and are mostly organized around community events or activities such as sports, religion or other gatherings (Cordero-Guzman, 2005; Monica Boyd 1989). In addition, the exchange through social capital - referring to the connections that diaspora entrepreneurs need to proceed through their migration and foundation phase safely and cost-effectively (Castles, 2002) - is very critical, especially for emerging businesses. Accordingly, they are able to access necessary resources that might otherwise not be available (Dubini and Aldrich, 1991). Furthermore, the facilitating of successful firm emergence is promoted by social ties within the diaspora network by simplifying the identification of opportunities, dealing with bureaucratic obstacles and integrate into the new society. For these reasons, migrants and diaspora entrepreneurs in particular are likely to migrate to countries where co-ethnics have already established a well-functioning network. However, despite these numerous abovementioned benefits of diaspora networks, the structural

dimensions are crucial. The structure of relationships - which is defined as “the pattern of relationship that are engendered from the direct and indirect ties between actors” (Hoang and Antoncic, 2003: 166) - has an important effect on entrepreneurial outcome since the success of an entrepreneur depends on their individual position within the network (Hoang and Antoncic, 2003). The content of relationships within the network is determined by communication intensity, frequency, persistence as well as direction of social network. The characteristics of these relationships influence the extent to which the crucial information from other diaspora entrepreneurs can be accessed and opportunities can be identified and exploited (Uzzi, 1996). Depending on the context in which the relationship is embedded within a social relationship, the network ties of entrepreneurs with an emerging firm exist on a continuum from market-based exchange to relational exchange. These relational embedded ties provide information about strategic opportunities and resources that cannot be recognized and redefined by others (Venkataraman, 2000; Hite, 2005). The course of communication and contact between group members include weak and strong ties, because the kinds of ties differ in dimensions such as interaction frequency, the feelings of power, intimacy and reciprocal exchanges (Granovatter, 1973). The notion of weak ties (Granovatter, 1973) describes the extent to which actors can gain access to new information and ideas through ties that lie outside of their immediate cluster of contacts. Weak ties often exist between actors with heterogeneous information and are a better bridge to the acquisition of information and other resource than strong ties, which are more likely to provide redundant information, as roles across organizational boundaries (Lin, 1999). For this reason, most entrepreneurs favor weak ties to numerous different entrepreneurs over strong ties with a few. By bridging structural holes, defined as the absence of ties between actors within the network, the entrepreneur profits from diverse and non-redundant contacts (Burt, 2004).

2.4 *German Entrepreneurs in South Africa*

Migration has played a central role in the history and economic development of SA by hosting a high number of migrants in Africa. Although the majority of immigrants to SA come from cross-border countries such as Zimbabwe, Mozambique and Botswana, who were concentrated in agricultural and mining areas some decades ago (Balbo and Marconi, 2005), there is also a long

tradition of individuals from Europe moving to the new migration hub at the southern-most top of the African continent (Segatti and Landau, 2009). The vast majority of its white population are settlers from Europe who arrived in the 17th and 18th centuries and their descendants. After 1910 with the formation of the Union of South Africa the Immigrants Regulation Act of 1913 was developed, which only allowed white migration and immigration (Peberdy, 2001). With the end of apartheid and segregation in 1994, SA has undergone immense social, political and economic changes that had and still have a powerful impact on its immigration policies and patterns (Peberdy and Rogerson, 2000). However, the chance to push for migration management suitable to the economic situation of SA with the policy of free movement, the SN government replaced this policy by migration control to limit the number of unskilled workers from other South African Development Community countries. The government consistently ignored the developmental potential of migration on this account and instead attempted to stimulate employment among South African citizens by concentrating on border control and national sovereignty (Segatti and Landau, 2009). Since SA is a country with poor education systems and chronic unemployment with a current unemployment rate of 26.4 percent (Statistics SA, 2015), migrants are increasingly viewed negatively by the SN government as well as the SN society, whereby xenophobia and intolerance of migrant workers have increased in the past two decades. Additional difficulties for diaspora entrepreneurs are the poor access to services, strong inequalities with economic problems such as poverty and lack of economic empowerment among disadvantaged groups, the poorly endowed and mismanaged Department of Home Affairs, as well as serious cases of corruption and fraud, regulatory constraints and extremely long waiting times - up to a year - for work permits (Landau and Segatti, 2009). Despite this poor prerequisite for migration to SA, the achieved levels of political stability and economic growth enabled the number of international migrants in SA to steadily increase, reaching about 2.4 million migrants including about 31,000 German migrants in 2013 (UN Department of Economic and Social Affairs, 2013). Due to the absence of systematic data collection work, this is only a rough projection and estimate, since migration data remains scarce and poorly maintained.

Despite xenophobia and a less favorable economic situation than in Germany, there are several reasons

why Germans want to migrate and start a business in SA. For instance, due to European heritage reflected by the two public and political languages English and Afrikaans, which is closely connected to Dutch. Moreover, due to the bilateral cooperation between Germany and SA and with the SA's GDP of 349.8 billion U.S. dollars and a population of 54 million in 2014 (World Bank, 2014), the country is Africa's largest economy and by far Germany's most significant business partner on the continent. Other explanations relate to the availability of German Schools in SA, the fact that the market can act as a gateway to other African markets in the Sub-Saharan Africa, the long history of predominantly trade ties between Germany and SA (Peberdy and Rogerson, 2000). It is assumed that about 600 long-term investing German companies operate in SA, which employ about each indirectly and directly 90,000 people (Auswärtiges Amt, 2014 (1)). Some of them belong to the most significant and modern production operations in the country. Besides a few large German companies who are working in the automobile sector, most German diaspora entrepreneurs with small, micro and medium enterprises in SA are concentrated in the retail and service sectors. Some of them may have a permanent resident permit, but the majority enters the country with a visitors' visa, because only few of the entrepreneurs qualify for business permits (Peberdy and Rogerson, 2000). Since 2014, new laws regarding migration have been enforced through the SN government to adapt to international standards and improve and speed up processes and procedures. Despite this progress, the applicants on the conditions for applying for visas remain tedious and extremely time-consuming. For this reason, many immigrants use a migration agency to reduce bureaucratic barriers. Moreover, they can join numerous networks of Germans living and working in SA to seek for support. There are several Facebook groups and forums of German entrepreneurs who run their business in SA concerning the migration process, leisure activities or the like. Furthermore, there is the business network of the Southern African-German Chamber of Commerce and Industry, the largest and fastest growing German business network called Xing Cape Town, German church communities as well as the Club for the German community and friends. Hence, depending on the networks that provide the support and achievement necessary by the particular entrepreneur, they can choose from a wide range of existing German diaspora network in SA.

3. Research Propositions

3.1 Professional Support by Co-ethnics

As we draw from the extant research literature, there are numerous aspects on behavioral aspects and especially on the individual level within entrepreneurship that have remained undisclosed. As mentioned above, the situation of DDEs is characterized by high risks and uncertainties, particularly during their start-up and early stages of development. For this reason, they look for individuals, who passed the same experience of immigration and starting a business in an entirely new market, and who are likely to provide various useful and essential pieces of advice. Many sociologists indicate that entrepreneurial behavior is embedded in interpersonal social networks (Staber and Aldrich, 1995). For this fact, entrepreneurs usually rely on their already established social and economic contacts in the market, because these have a good overview over the market and are able to estimate the success of a new business idea and are prepared for trusting cooperation. However, in case of DDEs, these individuals lack these essential kinds of relationships in the COR. They have to develop and strategically manage equivalent ones to ensure successful emergence and growth (Hite, 2005). These kinds of business connections are relationally embedded ties that have the potential to influence decision-making of the emerging firm due to trust (Uzzi, 1996; Granovetter, 1985). Trust is a critical factor of network exchange, which in turn enhances the quality of information and resource flows (Lorenzoni and Lipparini, 1999). Especially in terms of newly developed business contacts, there is usually only little trust between both sides due to competition. It takes a certain time until entrepreneurs operating in the same sector offer advice on best business practices and methods. However, DDEs face the challenge of a completely new market in which they do not have any adequate experience. To overcome this barrier it is important to note that ties between diaspora entrepreneurs rely on economic and social cohesion, which can be explained by emotional attachment, and mutual trust based upon the same origin. For these reasons, they are more likely to share their knowledge, each without being fully aware of what the other can offer in favor or if one exploits the situation, because their businesses might be competing. The reliance on co-ethnics enables more deep and rich ties with respect to the exchange and flow of information (Lorenzoni and Lipparini, 1999), allows both parties to expect

actions that are predictable and mutually acceptable which consequently reduces transaction costs (Uzzi, 1996), improves innovative strength through inter-firm collaboration (Lorenzoni and Lipparini, 1993) and reduces uncertainty, which has been identified as one of the main drivers of organizational action (Granovetter, 1985).

Proposition 1: New business contacts from diaspora networks can provide the same professional support like long-standing business partners.

3.2 Changes in Use of Networks Within the Entrepreneurial Process

As diaspora entrepreneurs continue to cull and grow their networks over time, they often shift from depending on ties primarily found through digital networks to ties within social and business networks. During these phases, networks are used for different purposes since particular processes need different resources. This evolutionary process is characterized by distinctive changes in the content and structure of relationships and government mechanisms to manage these relationships. Before diasporas move to their new COR, they have to inform themselves properly about the migration process including visa requirements. These can easily be found on websites of the particular chamber of foreign trade, embassy or Department of Home Affairs as well as on websites or Facebook groups established by other diaspora entrepreneurs who already live and operate their business in the particular COR. When the issues concerning the migration are resolved, the entrepreneurs need to take steps to realize their business ideas. Entrepreneurs are likely to use ties to family, friends and existing business contacts for this kind of support. However, on the grounds that DDEs operate within a new context in a different country including a completely new economic situation, they rely on basic trust and solidarity found in ties to other diaspora entrepreneurs from the same COO. In the early foundation phase, entrepreneurs are more likely to benefit from diverse information flows of relationally embedded ties within a social context because they appear to influence the persistence of nascent entrepreneurs to build a successful enterprise (Singh et al, 1999). However, the reliance on networks is not constrained to the earliest stage of the entrepreneurial process because later in search for additional resources or cooperation to support the development and growth of the firm, many entrepreneurs begin to add network ties that are

only based upon market exchange (Hite and Hesterly, 2001). The complexity increases to gain best access to opportunities and resources, as well as determining effective governance mechanisms. In this process, the relationships are characterized by more and higher quality information exchange between diaspora entrepreneurs and the interaction becomes more routinized. In summary, the evolution of the entrepreneur's network may influence the flow of resources and information and thereby the firm's successful emergence. Furthermore, the particular characteristics of network ties may change which affects opportunity discovery, resources and mobilization (Uzzi, 1996; Hite, 2005).

Proposition 2: Diaspora entrepreneurs grow their networks over time, shifting from depending on ties in digital networks to social and business networks.

3.3 Achievement of Economic Advantages

Economic researchers have paid little importance to the role of trust, solidarity and loyalty of social ties due to the assumption of perfect rationality of economic players. In case of a lack of trust between two agents, who do not know each other as it is initially the case with diaspora entrepreneurs, the risk of moral hazard arises. Both entrepreneurs are unable to monitor decisions and actions of the other one, which brings the uncertainty of exploitation. Each one of them will favor their own and neglect the interests of the other (Lawson and Lorenz, 1999). However, according to network theory the embeddedness of a relationship between entrepreneurs shifts their motivation away from pure profit and economic gains toward cooperation when relationships are based upon trust and reciprocity. The above-mentioned basic trust and solidarity between diaspora entrepreneurs from the same COR make transactions and the flow of social capital, which refers to relationships between entrepreneurs within diaspora networks that act as resources for economic cooperation, possible. The special connection of co-ethnics helps reducing transactional uncertainty and enables the exchange of goods and services within the network, which differs from the logic of markets (Uzzi, 1996). The success of a newly established enterprise of a diaspora entrepreneur is not only influenced by the particular local economy in the COR but also by traits of the local diaspora network (Razin and Light, 1998). Given that co-ethnics are likely to start new businesses in the same sectors (Razin, 2002), one could argue that the idea of competition would come up since they deploy the same

supplies, labor, customers and try to sell similar products and services (Gold, 1994). However, individuals of these networks are willing to risk entering cooperation with each other because they can trust their partners with respect to a fair division of economic return (Lorenz, 1999); otherwise, it would be impossible for network members to make a judgment concerning the honesty of their potential cooperation partners. They are willing to provide information, support and exchange business services ranging from wholesale goods, to lawyers, transportation, import and export concessions or the like (Gold, 1994). DDEs can obtain significant benefits due to easier and more knowledgeable communication with their more educated and skilled co-ethnics. Through such cooperation, diaspora entrepreneurs can support each other and derive economic benefits by drawing on appropriate recommendations and transferring customers, whereby ethnic solidarity functions as a liability to diaspora entrepreneurship development. In this way, diaspora entrepreneurs can achieve economic advantages not only by reducing transaction costs through information flows but also by cooperation among the diaspora network.

Proposition 3: Diaspora networks enable diaspora entrepreneurs to achieve economic advantages through cooperation despite direct competition.

4. Research Design

4.1 Research Methods

In order to explore the impact of diaspora networks on the motivation to found a diaspora start-up, a qualitative study constructed as a multiple case study method based upon grounded theory is applied in line with the principles by Eisenhardt (1989) (Charamaz, 2014). As there are numerous undisclosed aspects on behavior of diaspora entrepreneurs and diaspora networks, the chosen case study is used to contribute to the early theory development of these complex social group phenomena. It allows retaining all meaningful characteristics of their migration and foundation of a start-up enterprise, such as cultural differences, organizational and managerial processes and administrative barriers. Accordingly, the qualitative research method is able to meet the challenge of understanding entrepreneurial behavior by investigating the use and effectiveness of diaspora networks in depth and within its real life context. Furthermore, it allows more diversity and flexibility to examine difficulties that may

emerge during the course of research and involves analyzing the situation of interviewees to explain their actions (Dhesi, 2010).

4.2 Data Collection

The data collection of relevant information for this study is constructed on primary and secondary data. The first phase of data collection comprised a semi-structured interview with the chosen entrepreneurs, enabling the collection of individual-level network data regarding the effect of network use on their motivation. Since the prime objective is to understand the aforementioned effect, semi-structured interviews were chosen and no survey schedule was administered formally. Nevertheless, a set of questions was developed that evoked information about three main topics: the experience of migration and resettlement, the search for support during these processes, and the effectiveness of the German diaspora network in SA. Thus, the order could be modified, explanations could be given and inappropriate questions for a particular interviewee could be omitted as well as additional ones included, which can potentially increase the response rate (Kvale and Brinkmann, 2014). Although the entrepreneurs' explanations were based upon their individual perception, these descriptions represented their awareness of the reality upon which they based decisions for their migration and founding process. Each interview continued until the entrepreneur had fully described their network use history, as well as their experiences and exchanges with different network ties, each lasting about 45 minutes. The instant messenger Skype was used to bridge the distance between Germany and SA and each interview was recorded and transcribed to increase the reliability of the data collection and analysis. These transcripts can be found in the appendix. Furthermore, they were carried out in German, as the interviewees requested it. The second phase of data collection consisted for the sake of data triangulation of the development of a broad general picture of the entrepreneur by obtaining information from a secondary source like previously published interviews and content on firms' websites (Yin, 2013; Denzin and Lincoln, 2011).

4.3 Data Selection

Overall, case studies were conducted in summer 2015 with German diaspora entrepreneurs who carry out a business in the service sector in SA. The interviewees were found through social networks

as well as online press releases. Although research work of DDEs remains limited, Germany and SA have been chosen due to their history of migration flows and predominantly trade ties (Kabundi and Loots, 2010). While focusing on Germany as a specific COO and SA as the COR as well as the service sector as industry, related exogenous variations are reduced for this study. Accordingly, other factors including political factors, market forces and resources – which could have a causal effect on the process and outcome of migration and founding a diaspora start-up – can be controlled. Germany is the largest national economy in Europe as well as the fourth largest by nominal GDP in the world (World Bank, 2015). The country is also characterized by a high educational standard, with a literacy rate of 99 percent and an almost 100 percent attendance rate for primarily and secondary education, a relatively low income inequality with a Gini coefficient of 2.89 (OECD, 2012) and a relatively low unemployment rate of 5 percent (OECD, 2014). Germany's most important partner in Sub-Saharan Africa is South Africa. The German-South Africa Binational Commission provides since 1996 the framework for their bilateral cooperation. In 2014 SA was Germany's 14th largest export and import partner in foreign trade outside the European Union (Statistisches Bundesamt, 2015). This year, SA exported goods worth EUR 4.9 billion to Germany and imported goods worth EUR 8.3 billion from there, making Germany its second largest trade partner after China (Observatory of Economic Complexity, 2014). Another aspect of relation between these two countries are several close contacts and partnerships that provide development and economic cooperation projects in SA. Given that the economy of SA constitutes a third of economic activity in Sub-Saharan Africa, and 80 percent of economic activity in Southern Africa, more than 600 German companies, employing a total workforce of 90,000, are present in South Africa (Auswärtiges Amt, 2014 (2)). The Southern African-German Chamber of Commerce and Industry, which is located in Johannesburg, provides support to these companies, which particularly act in the renewable energy, water, service and infrastructure sectors, the automotive and chemical industries in SA and value their COR as a gateway to other African markets. The majority of entrepreneurs choose Cape Town for starting their business, because it is SA's second largest city and its largest start-up hub. For the reasons set out above, a female German entrepreneur, who works as a coach for migration

life decisions and a male German entrepreneur, who runs a language school also in Cape Town.

4.4 Data Analysis

Upon completing the data collection and selection, it is subsequently analyzed descriptively in line with the a priori construct (Eisenhardt, 1989) concerning the impact of diaspora networks discussed above: professional support provided by co-ethnics, changes of network use within the entrepreneurial process to ensure efficiency and the achievement of economic and financial advantages. Based upon the descriptive analysis, a model is developed which illustrates the propositions how each of network components influence on DDE's motivation to found a diaspora start-up. Data analysis begins with within-case analysis to gain familiarity with each case, before it continues with an across-case analysis to look for similarities and differences between cases. When the constructed propositions and data match closely, the theory is empirically valid (Eisenhardt, 1989).

5. Analysis

5.1 Findings

Entrepreneur A set up his business in 2007 in Cape Town and operates an English language school with an experience-oriented concept for customers from all over the world. In 2006, before the completion of his study of social economy with his dissertation in Germany, he attended a year of lectures in Cape Town to expand his horizon. Within this period, he and his private English teacher – who assisted him with English language problems in lectures of law and politics – developed the idea to establish a special English language school in Cape Town. The reasons for this decision were the difficulty in gaining a work permit for SA and low earning prospects in case of hiring. The business idea is based upon a new concept including language excursions to expand the cultural competencies of his customers. In contrast to traditional language schools, the English course not only involves classroom-based teaching but also cultural and out-of-school experiences. By developing these services, the customers are able to learn the English language with a view to the South African culture and attractions outside main tourist areas. There are currently four South African employees, who are native English speakers, each qualified with a teaching degree or a certificate in English teaching. To realize this business idea, entrepreneur A joined forces with a local provider

of cultural tours. The problems he had to face during the process of migration and founding his language school included securing his business visa and the government's request to invest about EUR 250,000 to start his business. Given that his language school also belongs to the tourism sector, he was able to gain special permission based upon the demand of job creation for South Africans. Because he met these expectations, he now has a permanent residence permit. At the beginning, he gathered information concerning the formalities about laws and requirements for immigration to SA through the website of the German Consulate General in Cape Town. Subsequently, he first relied on his SN contacts built during his semester abroad, although he subsequently quickly tried to connect to the German community by using the digital networks of the Southern African-German Chamber of Commerce and Industry, the expert network InterNations and the social network Xing, which enables their members to connect on a social and economic basis. There are also several PDF files available on these websites, which provided him with information about e.g. safety for foreigners in SA and the process of job search. For personal problems like the decisions for a new mobile phone contract, housing, a bank or insurance company in SA, entrepreneur A used his already established contacts to locals. Moreover, he established a Rotary Club in Cape Town, which enables businessmen to network and take part in regular volunteering work to improve the SA educational system. At the same time, he was not interested in joining the German Club Cape Town, which mainly focuses on leisure activities for Germans living in SA.

Entrepreneur B set up her current business in 2013. Her business concept involves coaching individuals from Europe and SA regarding their life courses as well as their business ideas. During her studies of European Business in England, she first came into contact with the idea of traveling to SA. After an internship of four months at a guesthouse in SA – which she found through an online German language portal for trips to SA – the idea evolved that she wanted to live there. Back in Germany again, she opened an account to save for her immigration to Cape Town while she worked for an automobile manufacturer on a self-employed basis in customer service from 2006 until 2009. At the turn of 2010, entrepreneur B finally migrated to SA. After a few weeks of traveling, she decided to stay in Cape Town and started working in a call center. Many German immigrants in SA start with working at a call center, since it is difficult to get a

job due to the black economic empowerment politics of the SA government. She got this job by making use of a German recruitment agency based in Cape Town. Given that she felt unchallenged with her position four months later, she took a job offering for a recruitment position at the aforementioned agency. At the same time, she completed a training course as a life course and business coach in Johannesburg. Following the successful completion of this, she decided to start her own business relying on her skills of her education and know-how of her previous self-employment in Germany. Due to these frequent job changeovers, she had to apply for several different visas suitable for the particular employment. First of all, she received her first two working visas through her employment at the German call center and recruitment agency. By the time she decided to start her own business, she had to apply for a special skills visa, which is bound to an extremely high effort, because she did not join with a SA business partner to start with, unlike entrepreneur A. In order to obtain these different kinds of visas she had to invest a great deal of time and patience due to the idleness of the Department of Labor. However, she now also has a permanent residence permit. Since she had several problems in terms of adjusting to the different mentality and culture, as well as getting to know the customs and habits in SA, she looked for contact with other German immigrants in Cape Town. She experienced the network of the St. Martini church as very reliable for social contacts. In addition, she used ties to other German diaspora entrepreneur to launch projects and exchange essential information about business strategies. Especially the basic trust in fellow citizens from the same ethnic group helped her to integrate in the German society in Cape Town. By working for individuals from Germany who also want to migrate to SA, she becomes aware of the special connection with people from the same COO. Her customers have much trust in her work, due to their same origin, a similar mentality, and the facts that she speaks the same language and that she took the same path and knows about the difficulties of immigration and starting a business. To receive support on issues relating to economic aspects, she relies – like entrepreneur A – on business contacts found through the network of the Southern African-German Chamber of Commerce and Industry. Her experiences indicate German diaspora entrepreneurs are able to gain competitive advantages through this structure of ties.

5.2 Test of Research Propositions

The network dynamics of two German diaspora entrepreneurs operating in SA will be analyzed along with the potential impact of networks on their entrepreneurial motivation along the propositions discussed above: (i) the professional support given by diaspora entrepreneurs; (ii) the changes in the use of networks during the entrepreneurial process; and (iii) the achievement of economic advantages by cooperation within the network.

At first, the outputs of the conducted interviews are analyzed in line with the pre-established first proposition, stating that entrepreneurs from the same COO can rely on professional support and assistance from each other that is similar to support from well-known entrepreneurs. It may initially be stated that both entrepreneurs looked for support especially from co-ethnics due to solidarity and basic trust. In the case of entrepreneur A, it is nevertheless worth nothing that he was able to obtain trustworthy information about the SN market and managerial style through his SN cooperation with his former language teacher and tour guide. However, given his lack of experience as an owner of a business as well as an employer, he needed further support that best met his plans and goals. On the ground that he quickly became an entrepreneur right after his studies, there was a lack of how to turn theory into effective practice. The step into self-employment contains several both large and small risks and difficulties, which have to overcome to implement the particular business idea successfully. These difficulties increase due to the fact of operating in a country with a different economic, social and political situation than the COO. One example is the wide discrepancy between the mentalities of Germans and SNs. The first significant difference is concerning the willingness to cooperate. In the SN culture, interpersonal relationships and willingness to cooperate are in focus. Conflicts are less likely to be solved in a performance-related manner than in Germany and there are fewer sanctions for misconduct. Furthermore, less value is set on punctuality, which influences payment practice negatively. These elements are particularly important for entrepreneur A since he not only cooperates with business partners but also has employee from SA. In order to prepare himself for possible obstacles and act appropriately in case of conflicts, entrepreneur A quickly looked for contacts within the German diaspora network in SA. On the grounds that these had to face the same difficulties during their entrepreneurial process,

these relationships provided him with helpful tips concerning the operation of a business in SA. This assistance enabled him to operate his English language school with German business acumen without risking conflicts with SNs, which could slow down the development and growth of his business. These kinds of obstacles must be avoided in any case, since their SN system lacks social protection.

The main difference with the previously discussed situation of entrepreneur A is that entrepreneur B did not have any cooperations with SNs at any time of her entrepreneurial process. Nonetheless, she was able to collect practical experience with the SN work ethic due to her employment at the German employment agency. She also recognized the large discrepancy between the mentalities of Germans and SNs, but she perceived this difference as very pleasant. Another difference between entrepreneur A and B is that entrepreneur B already had a wealth of work and even self-employment experience from Germany. As a result, she was able to estimate potential risk and problems. She required professional support from other German diaspora entrepreneurs in a completely different field as entrepreneur A. Due to her job as a business and lifestyle coach, she remains dependent on the reliability and punctuality of her business partners. In order to offer her clients what they need and prefer, she relies on German business partners, who provide these essential qualities. This is especially important since the signature of her business is her German work ethic with her punctuality and her structured processes enables her clients to efficiently reach their goals. In sum, both entrepreneurs were able to support the proposition that ties to other German diaspora entrepreneurs are based upon high levels of reliability and professionalism. Although both entrepreneurs used these kinds of relationships in a different way to ensure development and growth of their business, they were essential during the entrepreneurial process. Due to the self-employment in a different country than the COO, even more obstacles and difficulties occur in the first time of self-employment. This increased risk of business failure may be reduced by using advice of other diaspora entrepreneurs, who have taken the same steps. Due to this proposition, diaspora networks have a positive impact on the motivation of diaspora networks by providing essential information and support, which paves the way for the entrepreneurial process. Furthermore, diaspora networks reduce the risk of business failure, whereby diaspora entrepreneurs are more likely to

migrate to countries with established diaspora networks.

Changes of use of the particular diaspora network during the entrepreneurial process were shown in the conducted case studies. Both entrepreneurs used digital networks such as official websites of the Southern African-German Chamber of Commerce and Industry or the German embassy in SA, which offer information about bureaucratic obstacles, visa regulations, security in SA for foreigners, but each in a different way. Although entrepreneur A already lived in Cape Town for one year during his studies and entrepreneur B traveled to SA several times, whereby they both experienced the South African culture and mentality, they nevertheless looked for additional information about SA in digital networks. Entrepreneur A only used official websites of the Southern African-German Chamber of Commerce and Industry and the German embassy in Cape Town to obtain information about possible ways to secure a business permit, as well as the associated requirements and expense. Other points of the migration act were not important to him, since he already experienced the procedure of visa application in SA once. He did not use this kind of network for initial opportunity recognition because he already had a fixed business idea, which he developed through a physical network tie with his former English language teacher during the time he spent in SA. In contrast, entrepreneur B was unable to gain this kind of experience in her pre-migration phase. She needed support for visa requirements and she used a German employment agency based in Cape Town to find an employment for the first time living in Cape Town. These initial contacts to German diaspora owning the employment agency were her first business contacts in SA. It can be assumed that the digital world enables individuals who are interested in migrating to a different country and establishing their business to identify information that is applicable for every migrant or entrepreneur. Such information includes in particular the economic situation of the COR, public safety, standard of living, types of visa and the respective requirements, financing opportunities, which can be found on the respective embassy, chamber of foreign trade or through PDF documents that can be downloaded for free on specific websites designed by diaspora entrepreneurs already living in the COR. Furthermore, there is the possibility to get in personal contact with these to get insight into their businesses and managerial practices regarding the South African managerial style. While the

observed entrepreneurs used either digital networks or networks in COR in the initial phase of their entrepreneurial activities, it was noted that they used different types of networks for developing and expanding their business in the later stage. What is remarkable to witness are the different starting points and circumstances of their pre-migration phase that caused this different usage behavior of digital networks. After their arrival in Cape Town, they both searched a connection to the German network. During the first period of living and working there, entrepreneur B established contacts to other Germans very fast. This is because she already was in contact with the German employment agency before her immigration to SA and once she arrived in Cape Town, she first worked at a German call center. She also got her second job through these early-established ties to the business owners of this agency. For social contacts and leisure activities, she joined the community of the German St. Martini church in Cape Town. By contrast, entrepreneur A already had established contacts with South Africans during his semester abroad, as well as engaging efforts to establish ties to other German Entrepreneurs in SA. However, in contrast to entrepreneur A, he used these ties to enter the South African market rather than for leisure activities. He took the first necessary steps – like finding a new bank, an apartment and an insurance company, as well as a new mobile phone contract – with his South African contacts, who have the appropriate information. In summary, both observed entrepreneurs tried to get in contact with other Germans living in SA real quick. Nevertheless, one finds that in contrast to entrepreneur A – who already found his business partners and established several network ties in SA in his pre-migration phase – entrepreneur B still had to complete this process after immigration. The newly built relationships to Germans nevertheless helped her to find a job and social connections quickly. Strengthened by the trust to and from her co-ethnics, first contact was easy and uncomplicated. For these reasons, she was able to settle in Cape Town professionally and privately. After both entrepreneurs started their own business, they particularly concentrated on finding business contacts to establish a connection to the South African market. Accordingly, they were able to find valuable assistance and support and gain recommendations.

The next step is to analyze the above discussed possibility to operate businesses in cooperation with co-ethnics within diaspora networks in the

COR which is especially important due to the possibility to obtain economic and financial advantages. The observed interviews show that both entrepreneurs use these relationships based upon trust and solidarity. Entrepreneur A used at first his South African ties to overcome first barriers. He also developed his business idea and concept of the English language school together with his former English language teacher from SA and realized his idea in cooperation with a South African company that offers guided tours to attractions and less known places in Cape Town. Nevertheless, it was very important to him to make contacts to the German entrepreneurial diaspora network. He found his initial contacts to other entrepreneurs from Germany in the business network of the Southern African-German Chamber of Commerce and Industry, where he received support from many small and large German companies. He was fully aware of potential benefits accruing from the size of this network. In addition to the business ties, he participated Xing and InterNations meetings, where he tried to achieve high recognition. Accordingly, he was not only able to use the network itself to generate customers, but also the countless connections of the other entrepreneurs to the COO. These two factors enabled him to enlarge his customer pool and sales to grow through recommendations. Furthermore, he improved his image by developing the South African Rotary Club, which provides the opportunity to make new business contacts while working on a voluntary basis to improve the educational system in SA. Thus, he was able to draw attention to himself and advertise his language school to increase his revenues. Entrepreneur B also relied on the business network of the Southern African-German Chamber of Commerce and Industry. In this network, she was able to get to know several German entrepreneurs and make a name for herself. Especially entrepreneurs who also act in the South African service sector are - according to her - willing to recommend customers from their own customer pool to her business. The threat of competition does not occur since this business network provides relationships between entrepreneurs from all over SA. Due to her job of coaching individuals to migrate to SA and start a business there, these kinds of business ties are essential. Thereby, it is particularly important for her that these entrepreneurs share the same German work ethnics of precision, reliability and punctuality. A particular example of this successful cooperation is the constant contact to a South African immigration agency managed by

a German, who pass on their customers, who want a consultancy beyond the immigration process. In conclusion, business networks of diaspora entrepreneurs enable them to achieve economic and financial benefits, through a shared customer pool, a great recognition or the like.

To summarize, it can be said that the previously causal developed propositions are supported by the experiences of both observed diaspora entrepreneurs. Basic trust and solidarity is created between co-ethnic entrepreneurs based upon having the same background, values, social manners, working methods as well as a shared language, a network, which works together effectively by helping for every kind of question or problem. Due to this cooperation between diaspora entrepreneurs within networks - which are used in very different way and degrees of intensity - the risk of a failure can be reduced, especially in the cases of DDEs, since self-employment in a developing country is characterized by an even greater risk. The advantage of networks to increase the probability of success and to ensure efficiency and confidentiality has a great positive impact on the motivation of a diaspora entrepreneur to found a diaspora start-up. Moreover, entrepreneurs are generally more likely to migrate into a country, where the possibility of success is equal or greater than in their COO. The national similarities named above, also have an impact on the motivation of diaspora entrepreneurs. Between the developed COO and the developing or emerging COR extreme cultural disparities occur, which might cause uncertainty in the entrepreneurial process. However, if entrepreneurs have the opportunity to fully or partial rely on familiar procedures, it enables them to be successful economically. Nevertheless, it is important to note that there is a wide range of possible starting positions of diaspora entrepreneurs. If they were able to connect to natives in the COR socially or even economically, the usage behavior of networks is completely different compared to entrepreneurs who intend to migrate without these kind of ties. Especially within this initial condition, diaspora entrepreneurs are extremely dependent upon help and support in many areas of life to ensure the development and growth of the particular business. Given that DDR is particularly suitable to improve the economic conditions of developing or emerging countries, where the risks are relatively high for failure, it is extremely important that policy-makers promote this kind of entrepreneurship of highly-skilled migrants. Even if they are able to establish rule of law, provide access to public services and

create a better infrastructure, additional steps to need to be taken to attract an appropriate number of diaspora entrepreneurs. At first, they should ensure that official websites of the government provide detailed and corresponding information about legal provisions regarding visa application as well as requirements to start a business that individuals can rely on and precisely plan their migration. Furthermore, policy-makers might create particular diaspora business forums or organizations that enable diaspora entrepreneurs to share their experience of difficulties and their approaches. The government can use this information on the other side to ease the difficulties experienced by many diaspora entrepreneurs and rely on effective cooperation. There should also be a possibility to preserve linguistic and cultural maintenance, because this part of interpersonal relationship between diaspora entrepreneurs leads to the aforementioned basic trust and solidarity between them.

6. Conclusion

6.1 Limitations

While the model above illustrates basic assumptions of the impact of diaspora networks on the entrepreneurial motivation of DDEs, it is important to highlight limitations of this approach to apply it for future research. First of all, this approach is based upon cases of the first generation of diaspora entrepreneurs, because diaspora entrepreneurs from the second generation, who were born and have grown up in the particular COR, are already embedded in the society. For this reason, they do not have to rely on diaspora networks to obtain information and support from co-ethnics about the migration and founding process. Therefore, a certain modification needs to be applied in case of investigating a different generation of diaspora entrepreneurs. The second limitation to be considered is that entrepreneurship is not solely the result of human action. External factors such as the status of the economy, the availability of venture capital and government regulations in the COR also play an important role in opportunity recognition. When further research is conducted, the model needs to be adapted to the particular COO and COR for an appropriate valuation. Even if the abovementioned external factors and diaspora networks in the COR provide a more conducive environment supporting entrepreneurship, it may also be likely that diasporas within the provided network pursue another career option. A further aspect is related to

the size, depth and the degree of sophistication of the particular diaspora network. The investigated German diaspora network in SA is highly developed as well as wide-ranging and supportive. When investigating different COO and COR, the model may have to be adopted to the specific geographical regions, because some countries or cities may have a large network of diasporas, while others not. When observing both diaspora entrepreneurs, it is evident that it makes a great difference whether a diaspora entrepreneur was able to establish business contacts in the pre-migration phase. Consequently, if a diaspora entrepreneur was already able to establish this kind of connection and even perhaps decided for an economic cooperation, the diaspora network will be used in a completely different way than by individuals, who migrate without any social or economic connection to the COR. Depending on the initial position of the particular entrepreneur, modifications need to be made.

6.2 Implications for further research

The main aim in this study was to address the almost total lack of research evidence on the impact of diaspora networks on the motivation of diaspora entrepreneurs to found a new business. This exploratory study can be seen as the first approach to close this research gap, but more research will in fact be necessary to refine and further elaborate these novel findings. First, this study generated a model based upon findings from in-depth interviews with diaspora entrepreneurs within a case study and focused on exploring individual experiences. Therefore, very little can be said of the nature of network use of the larger population. This study could thus be extended in search of statistical, rather than analytical, generalizability. Second, this study has highlighted a number of advantages of network use, focusing on the concept of DDEs and their mostly poor initial situation in an emerging country characterized by less favorable economic and political conditions than in their COO. The study could thus be extended in search of additional advantages for ADE, who migrate from developing to developed countries. This study could also be extended in longitudinal and comparative ways. For example, this study focused on South Africa, where already various German diaspora entrepreneurs established networks of all kinds. Further research can thus shed light on the network dynamics in other developing country, where only a limited number of diaspora networks exists. Furthermore, it should be investigated whether this model can be applied to the actual problem of skills

shortage in developed countries. Accordingly, policy-makers would be able to address the problem by inventing networks promoting migration of highly-skilled migrants from abroad. Finally, as discussed in the beginning of Chapter 2, further studies need to focus on the wide heterogeneity of the diaspora phenomenon. Types of diaspora entrepreneurs who have not attracted any research attempt to date should be investigated in terms of their motivation and approaches.

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