

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

Kim Kaufmann<sup>5</sup>

## 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

<sup>5</sup> Kim Kaufmann, University of Bremen, kimjana.kaufmann@web.de.

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 noting 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.

## List of references

- Aldrich, H., & Zimmer, C. (1986). Entrepreneurship through Social Networks. In D.L. Sexton & R.W. Smilor (Eds.), *The art and science of entrepreneurship* (pp. 3-23). Cambridge, MA: Ballinger.
- Auswärtiges Amt. (2014). *Länderinformationen Südafrika Wirtschaft*. Retrieved June 10, 2015, from [http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Suedafrika/Wirtschaft\\_node.html](http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Suedafrika/Wirtschaft_node.html)
- Auswärtiges Amt. (2014). *Südafrika – Beziehungen zu Deutschland*. Retrieved June 10, 2015, from [http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Suedafrika/Bilateral\\_node.html](http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Suedafrika/Bilateral_node.html)
- Balbo, M., & Marconi, G. (2005). Governing International Migration in the City of the South. *Global Migration Perspective*, 38(3).
- Barnard, H., & Pendock, C. (2013). To Share or Not to Share: The Role of Affect in Knowledge Sharing by Individuals in a Diaspora. *Journal of International Management*, 19(1), 47-65.
- Bliemel, M., McCarthy, I., & Maine, E. (2014). An Integrated Approach to Studying Multiplexity in Entrepreneurial Networks. *Entrepreneurship Research Journal*, 4(4), 367-402.
- Boyd, M. (1989). Family and Personal Networks in International Migration: Recent Developments and New Agendas. *International Migration Review*, 23(3), 638-670.
- Breton, R. (1964). Institutional Completeness of Ethnic Communities and the Personal Relations of Immigrants. *American Journal of Sociology*, 70(2), 193-205.
- Burt, R. (2009). Structural Holes and Good Ideas. *American Journal of Sociology*, 110(2), 349-399.
- Castles, S. (2002). Migration and Community Formation under Conditions of Globalization. *International Migration Review*, 36(4), 1143-1168.
- Charmaz, K. (2014). *Constructing Grounded Theory* (2nd ed.). Thousand Oaks, California: Sage Publications.
- Codero-Guzman, H. (2005). Community-Based Organisations and Migration in New York City. *Journal of Ethnic and Migration Studies*, 31(5), 889-909.
- Cohen, R. (2008). *Global Diasporas: An Introduction* (2nd ed.). New York: Routledge.
- Denzin, N., & Lincoln, Y. (2011). *The SAGE Handbook of Qualitative Research* (4rd ed.). Thousand Oaks, California: Sage Publication.
- International Migration 2013. (2013). Retrieved June 10, 2015, from <http://www.un.org/en/development/desa/population/migration/publications/wallchart/docs/wallchart2013.pdf>
- Dhesi, A. (2010). Diaspora, Social Entrepreneurs and Community Development. *International Journal of Social Economics*, 37(9), 703-716.
- Dutia, S. (2012). Diaspora Networks: A New Impetus to Drive Entrepreneurship. *Innovations*, 7(1), 65-72.
- Eisenhardt, K. (1989). Building Theories from Case Study Research. *The Academy of Management Review*, 14(4), 532-550.
- Eisenstadt, S. (1952). The Process of Absorption of New Immigrants in Isreal. *Human Relations*, 5(n.a.), 223-246.
- Evans, D., Leighton, L. (1989). Some Empirical Aspects of Entrepreneurship. *The American Economic Review*, 79(3), 519-535.
- Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91(3), 481-510.
- Granovetter, M. (1973). The Strength of Weak Ties. *American Journal of Sociology*, 78(6), 1360-1380.
- Harima, A. (2014). Network Dynamics of Descending Diaspora Entrepreneurship: Multiple Case Studies with Japanese Entrepreneurs in Emerging Economies. *Journal of Entrepreneurship, Management and Innovation – Entrepreneurship and Performance of Firms*, 10(4).
- Gold, S. (1994). Patterns of Economic Cooperation among Israeli Immigrants in Los Angeles. *International Migration Review*, 28(1), 114-135.
- Greve, A. (1995). Networks and Entrepreneurship – An Analysis of Social Relations, Occupational Background, and Use of Contacts During the Establishment Process. *Scandinavian Journal of Management*, 11(1), n.a.
- Gross Domestic Product 2014 (2015). The World Bank. Retrieved July 6, 2015, from <http://databank.worldbank.org/data/download/GDP.pdf>
- Hoang, H., & Antoncic, B. (2003). Network-based Research in Entrepreneurship: A Critical View. *Journal of Business Venturing*, 18(2), 165-187.
- Hite, J. (2005). Evolutionary Processes and Paths of Relationally Embedded Network Ties in Emerging Entrepreneurial Firms. *Entrepreneurship Theory and Practice*, 29(1), 113-144.
- Hite, J., & Hesterly, W. (2001). The Evolution of Firm Networks: From Emergence to Early Growth of the Firm. *Strategic Management Journal*, 22, 275-286.
- Inequality – Inequality Income. (2012). Retrieved July 10, 2015, from <https://data.oecd.org/inequality/income-inequality.htm>
- Jarillo, J. (1989). Entrepreneurship and Growth: the Strategic Use of External Resources. *Journal of Business Venturing*, 4(2), 133-147.
- Kabundi, A. Loots E. Patterns of Co-Movement Between South Africa and Germany: Evidence From the Period 1985 to 2006. *South African Journal of Economics*, 78(4), 383-399.
- Karim, K. (1998). From Ethnic Media to Global Media: Transnational Communication Networks Among Diasporic Communities. *University of Oxford-Transnational Communities Programme* (Working paper series: WPTC-99-02).
- Kvale, S., & Brinkmann, S. (2014). *InterViews: Learning the Craft of Qualitative Reserach Interviewing* (3<sup>rd</sup> ed.). Thousand Oaks, California: Sage Publications.
- Landau, L., & Segatti, A. (2009). Human Development Impacts of Migration: South Africa Case Study. *Human Development Research Paper Series*, 5.
- Laumann, E., Galaskiewicz, J., & Marsden, P. (1978). Community Structure as Interorganizational Linkages. *Annual Review of Economics*, 4, 455-484.
- Lawson, C., & Lorenz, E. (1999). Collective Learning, Tacit Knowledge and Regional Innovative Capacity. *Regional Studies*, 33(4), 305-317.
- Light, I. (1972). *Ethnic Enterprise in America: Business and Welfare Among Chinese, Japanese, and Blacks*. Oakland, California: University of California Press.
- Liles, P. (1974). *New Business Ventures and the Entrepreneur*. Irwin, Illinois: Homewood.
- Lin, N. (1999). Social Networks and Status Attainment. *Annual Review of Sociology*, 25, 467-487.
- Lorenzoni, G., & Lipparini, A. (1999). The Leveraging of Interfirm Relationships as a Distinctive Organizational Capability: A Longitudinal Study. *Strategic Management Journal*, 20, 317-338.
- Lorenzoni, G., & Lipparini A. (1993). Organizational Architecture, Inter-firm Relationships and Entrepreneurial Profile: Findings from a Set of SMEs. *Frontiers of entrepreneurship research*, 20(4), 370-384.
- Massey, D. (1988). Economic Development and International Migration in Comparative Perspective. *Population and Development Review*, 14(3), 383-413.

- Observatory of Economic Complexity*. (2014). Trade in South Africa. Available at: <https://atlas.media.mit.edu/en/profile/country/zaf/> (accessed June 13, 2015).
- Peberdy, S. (2001). Imagining Immigration: Inclusive Identities and Exclusive Policies in Post-1994 South Africa. *Africa Today*, 48, 15-32.
- Peberdy, S., & Rogerson, C. (2000). Transnationalism and Non-South African Entrepreneurs in South Africa's Small, Medium and Micro-Enterprise (SMME) Economy. *Canadian Journal of African Studies*, 34(1), 20-40.
- Rasool, F., & Botha, C., & Bisschoff, C. (2012). The Effectiveness of South Africa's Immigration Policy for Addressing Skills Shortages. *Managing Global Transitions International Research Journal* 10(4), 399-419.
- Razin, E. (2002). The Economic Context, Embeddedness and Immigrant Entrepreneurs. *International Journal of Entrepreneurial Behavior and Research*, 8(1/2), 162-167.
- Razin, E., & Light, I. (1998). Ethnic Entrepreneurs in America's Largest Metropolitan Areas. *Urban Affairs Review*, 33(39), 332-360.
- Riddle, L., Hrivnak, G., & Nielsen, T. (2010). Transnational Diaspora Entrepreneurship in Emerging Markets: Bridging institutional divides. *Journal of International Management*, 16(4), 398-411.
- Riggins, S. (1992). *Ethnic Minority Media: An International Perspective*. Thousand Oaks, California: Sage Publications.
- Schumpeter, A. (1934). *The Theory of Economic Development: An Inquiry Into Profits, Capital, Credit, Interest, and the Business Cycle*. Brunswick, New Jersey: Transaction Publishers.
- Scott, S., & Venkataraman, S. (2000). The Promise of Entrepreneurship as a Field of Research. *Academic Management Review*, 25(1), 217-226.
- Shane, S., Locke, E., & Collins C. (2003). Entrepreneurial Motivation. *Human Resource Management Review*, 13(2), 257-279.
- Sheehan, P., & Tegart, G. (1998). *Working for the Future: Technology and Employment In The Global Knowledge Economy*. Melbourne: Victoria University Press.
- Staber, U., & Aldrich, H. (1995). Cross-National Similarities in the Personal Networks of Small Business Owners: A Comparison of Two Regions in North America. *The Canadian Journal of Sociology*, 20(4), 441-467.
- Statistics South Africa. (2015). *Work and Labour Force*. Retrieved June 21, 2015, from [http://www.statssa.gov.za/?page\\_id=737&id=1](http://www.statssa.gov.za/?page_id=737&id=1)
- Statistisches Bundesamt. (2015). *Außenhandel – Rangliste der Handelspartner im Außenhandel der Bundesrepublik Deutschland*. Retrieved June 24, 2015, from [https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/Aussenhandel/Handelspartner/Tabellen/RangfolgeHandelspartner.pdf?\\_\\_blob=publicationFile](https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/Aussenhandel/Handelspartner/Tabellen/RangfolgeHandelspartner.pdf?__blob=publicationFile)
- Singh, R., Hills, G., Hybels, R., & Lumpkin, G. (1999). Opportunity recognition through social network characteristics of entrepreneurs. In P. Reynolds, W. Bygrave, C. Manigart, H. Meyer, & K. Spaienza (Eds.), *Frontiers of entrepreneurship research* (pp. 228-241). Wellesley, Massachusetts: Babson College Press.
- Unemployment - Unemployment Rate*. (2014). Retrieved July 10, 2015, from <https://data.oecd.org/unemp/unemployment-rate.htm>
- United Nations Population Division | Department of Economic and Social Affairs. (n.d.). *International migrant stock: By destination and origin*. Retrieved June 16, 2015, from <http://www.un.org/en/development/desa/population/migration/data/estimates2/estimatesorigin>
- Uzzi, B. (1996). The Source and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect. *American Sociological Review*, 61(4), 674-698.
- Van Tran, T. (1987). Ethnic Community Supports and Psychological Well-Being of Vietnamese Refugees. *International Migration Review*, 21(3), 833-844.
- Vertovec, S. (1999). Conceiving and researching transnationalism. *Ethnic and Racial Studies*, 22(2), 447-462.
- Vissak, T., Zhang, X., & Ukrainski, K. (2012). Successful Born Globals Without Experiential Market Knowledge: Survey Evidence from China. In M. Gabrielson, & V. Kirpalani (Eds.), *Handbook of Research on Born Globals* (pp. 353-265). Cheltenham, England: Edward Elgar Publishing.
- Wilken, P. (1979). *Entrepreneurship: A Comparative and Historical Study*. New York: Ablex Publishing Corporation.
- World Bank. (2014). *South Africa Data*. Retrieved June 12, 2015, from <http://data.worldbank.org/country/south-africa>
- Yin, R. (2013). *Case Study Research: Design and Methods: Applied Social Research Methods* (5<sup>th</sup> ed.). Thousand Oaks, California: Sage Publications.
- Zhao, L., & Aram, J. (1995). Networking and growth of young technology-intensive ventures in China. *Journal of Business Venturing*, 10(5), 349-370.