

Motivations, challenges, and resources of African Diaspora Entrepreneurs in Belgium with a business (idea) in Africa.

Gildemyn, Marie & De Smet, Sarah (2021)¹

Abstract

In recent years African diaspora entrepreneurs have received more attention as potential players in the economic, social and political development of Africa. The current paper presents the results from a qualitative study on the motivations, challenges, and resources of African diaspora entrepreneurs in Belgium with a business (idea) in Africa. A total of 29 in-depth interviews were carried out with African diaspora entrepreneurs in Belgium between January and December 2020. The results of the research highlight the complexity and co-existence of push and pull factors that drive African diaspora to embark on their entrepreneurial journey. Further, the research discusses the broad range of different resources that is available to diaspora entrepreneurs due to their mixed embeddedness in both the country of residence (CoR) and the country of origin (CoO). At the same time, some key resources such as financial capital, remain limited and hard to access. Based on the results specific recommendations are made to different stakeholder to reduce the existing challenges.

Introduction

The involvement of African diaspora in their country of origin (CoO), more specifically through remittances, knowledge transfer and small-business creation in the CoO is receiving more attention due to a conjuncture of different trends. First, several Sub-Saharan African countries had experienced a higher economic growth rate than most high-income countries in recent years (pre Covid-19) (World Bank, 2020). This, in combination with an increasing population, creates new market opportunities. These opportunities have inspired many African diaspora to set-up a business, mostly in their CoO, as they consider it as a more sustainable alternative to remittances. Second, there is a lack of career opportunities in their country of residence (CoR), which drives them to look for alternative options such as creating an own business. Last, as several authors point out, there is an untapped potential of African diaspora as development actors (Åkesson & Eriksson Baaz, 2015; Madichie, 2017; Newland & Tanaka, 2010). By creating diaspora-based enterprises in Africa, African diaspora can not only contribute to the economic development of Africa, but also to the social, human and political development through deploying their resources, knowledge and skills (Ojo, Nwankwo, & Gbadamosi, 2013; Wosu Griffin-El & Olabisi, 2019; Newland & Tanaka, 2010).

African diaspora's entrepreneurship and business involvement in Africa, has only recently received attention in Belgium. Although several bottom-up support initiatives for African diaspora entrepreneurs have emerged in Belgium the past years, there is no clear overview of all stakeholders within this eco-system. Furthermore, very little is known about the kind of support these entrepreneurs need, what their motivations are to start up a business in their CoO and what difficulties they encounter in this process.

The current research aims to gain insight into the motivations, challenges, and resources of African diaspora entrepreneurs in Belgium with a business in Africa, either in the start-up phase or already established. In doing so it wants to contribute to the burgeoning research on African diaspora entrepreneurship. The research further aims to identify gaps between the current support provided

¹ We want to thank researchers Karijn Bonne, Tinne Dons and Lien Warmenbol for their input and contributions along the way. We also want to thank Jane Manga Mambeng who interned on the project between February and June 2021.

and the support needed and formulate recommendations for the different actors in the eco-system. In this paper we present the results from a qualitative study on the motivations, challenges, and resources of the African diaspora entrepreneurs in Belgium with a business (idea) in Africa.

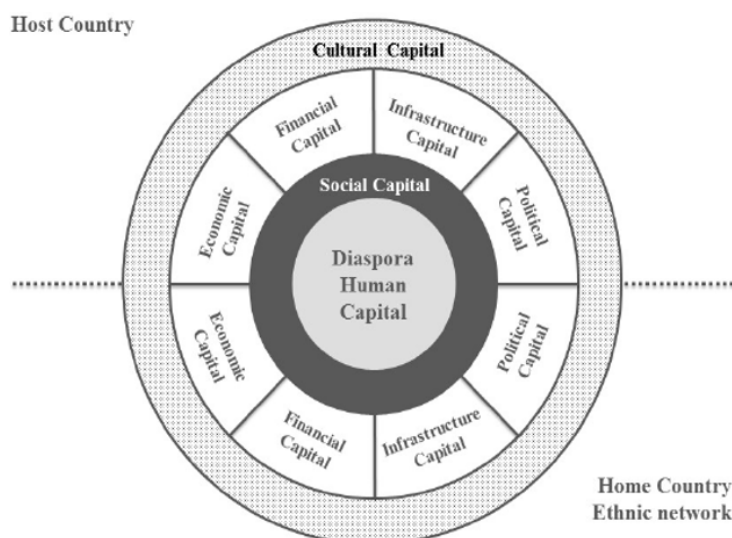
Theoretical concepts and framework

Diaspora Entrepreneurship has been defined in various ways and is often conflated with other types of entrepreneurship such as transnational, ethnic, and migrant entrepreneurship. Riddle, Hrivnak and Nielsen (2010, p. 398) describe diaspora entrepreneurs as “migrants and their descendants who establish entrepreneurial activities that span the national business environment of their countries of origin and countries of residence”. Further, Mayer, Harima, & Freiling (2015) specify that there are two key characteristics of diaspora entrepreneurs, which are the emotional connection to the homeland (CoO) and their “mixed embeddedness” (Kloosterman, van der Leun, & Rath, 1999) related to the social and cultural connections spanning both the CoO and CoR.

Research on the motivations of African diaspora entrepreneurs for setting up a business in Africa is rather sparse. In our paper, we build further on research demonstrating a distinction between push and pull factors constituted by the institutional environment of both the CoO and CoR (Nyame-Asiamah, Oduro Amoako, Amankwah-Amoah, & Debrah, 2020). One of the commonly identified push factors is related to the difficult economic situation and job perspectives for African migrants living in Europe, including Belgium (Åkesson & Eriksson Baaz, 2015). Examples of pull factors, on the other hand, are the favourable economic growth and new market opportunities in Africa, and the willingness to contribute to the development of the country, as discussed before. This distinction between pull and push factors is not clear-cut, as they are complex and evolve over time, depending on the process (Nyame-Asiamah, Oduro Amoako, Amankwah-Amoah, & Debrah, 2020).

Besides developing a better understanding of the motivations, it is also important to have a clearer picture of the challenges that diaspora entrepreneurs face and the type of resources or capital available to them. For the latter one, the adapted Capital Model for Diaspora Entrepreneurs by Baron & Harima (2019) (see figure 1) was adopted because it gives a good overview of the different types of capital diaspora entrepreneurs can rely on in both CoO and CoR.

Figure 1: The adapted Capital Model for Diaspora Entrepreneurs



Source: Harima & Baron (2019, p. 81)

The mixed embeddedness of diaspora entrepreneurs is also conceptualized in this model by visualizing social capital (dark circle in figure 1) as the “glue” that enables diaspora entrepreneurs to access resources both in the CoO and the CoR.

Methodology

To gain a better understanding of the motivations, challenges, and available resources of African diaspora entrepreneurs in Belgium, in-depth interviews were carried out between January 2020 and December 2020. An interview guide was developed and made available in English, French and Dutch. A total of 29 African Diaspora Entrepreneurs (17 men and 12 women), were interviewed. Most entrepreneurs were currently living in Belgium on a partial or permanent basis. The businesses that they had set-up are in a variety of countries (Cameroon, Rwanda, DRC, Ghana, Senegal, Ethiopia, Togo, Uganda and Morocco) and belong to different sectors such as the agri-food and -tech industry, tourism & entertainment, services. Most businesses were in the start-up phase, but some had already been established since a couple of years.

The interviews lasted between 45 and 150 minutes. They were mostly carried out online because of the Covid-19 situation. They were recorded, transcribed and analysed using NVivo12. For the coding a combination of deductive and inductive coding was used. To ensure triangulation, the initial coding scheme was discussed and refined among three researchers.

Results & discussion

Below, we will present the most important results regarding motivations, challenges and resources used by African Diaspora Entrepreneurs in Belgium while setting up a business in Africa.

Motivations – what drives African diaspora in Belgium to start a business in Africa?

Unsurprisingly most entrepreneurs are not motivated by one single factor but rather by a combination of different factors. At first sight, common pull factors mentioned by the interviewees are in line with what was discussed earlier: exploring and seizing new business and market opportunities, wanting to contribute to the development of their CoO, responding to a sense of reciprocity (due to the emotional connection with the CoO) and being passionate about entrepreneurship.

Push factors that came up in the interviews were the institutional discrimination on the job market in Belgium, the experienced frustrations with sending remittances, and the unhappiness with the way current development projects and foreign businesses operate in Africa. However, the analysis of the results confirms previous research by Nyame-Asiamah, Oduro Amoako, Amankwah-Amoah, & Debrah (2020), namely that the distinction between push and pull factors insufficiently captures the complexity of the motivations and often co-exist. A concrete example from our research is given below:

Despite the widespread recognition that remittances are an important source of income for African countries, especially at the local level, the interviewees expressed ambiguous feelings towards their impact in the longer term. Sending remittances to family and relatives can indeed help in case of emergencies and to support the purchase of consumption goods. At the same time, they are often ad-hoc, and they are rarely used as a leverage to improve the living conditions of the family and community in the long run. The interviewed entrepreneurs consider the creation of a diaspora-led business as a more sustainable and structured way to support their family and create a positive impact within the broader community through job creation for instance (see also Ojo, Nwankwo, & Gbadamosi, 2013). The high unemployment rate, especially among African youth, was mentioned by several interviewees. The interviewees also expressed their preference to start up their own

business over supporting already existing NGO programmes. This was because they were not actively involve by NGO's in shaping those programmes and because of the lack of transparency on the use of their financial resources and impact. In this example, a combination of the push factors 'unhappiness with remittances' and 'current development practices' and the pull factor 'contributing to development' through job creation, albeit at the micro-level, drove several interviewees to embark on the journey of creating a business in Africa.

Resources & Challenges: two sides of the same coin

Building further on the adapted Capital Model by Baron and Harima (2019), the access and use of the different types of capital both within the CoO and CoR were examined. The diaspora's human capital, the social capital and financial capital were most often identified as important resources although they were also considered as challenging. They were experienced as two sides of the same coin, which is confirmed by other research on African diaspora entrepreneurship (Nyame-Asiamah, Oduro Amoako, Amankwah-Amoah, & Debrah, 2020; Riddle L. , 2008). This will be explained hereafter.

Regarding **financial capital**, most African diaspora entrepreneurs used their own resources to start their business. The comparative advantage of living and working in a high-income country while establishing a business in the CoO, allows them to use their savings or a personal loan to start a business. Some entrepreneurs were able to attract external capital in the form of a social loan or had attracted an investor, but this was the minority. In general, interviewees stated that there was a lack of funding opportunities in both the CoR and the CoO that respond to the peculiarities and needs of diaspora entrepreneurship. Examples are the inflexibility in collaterals across both countries when requesting a loan, the absence of a "solution" for the fluctuating exchange rates, and a lack of financial products within the category of risk management, especially within the food industry. In addition, several interviewees had experienced frustration because the investment capital they had requested was systematically reduced as they were considered as too high by the financial institutions, even in cases where a sound financial and business plan was presented.

Regarding **social capital**, most entrepreneurs explained how they use both the formal and informal networks in CoO and CoR, as a leverage to access other types of resources or capital. The strength of this network varied between the different interviewees. Some entrepreneurs described how they relied on their social networks to raise additional funds, either formally through selling shares in their company, or through informal group lending practices ("tontines") in the CoR. Although these amounts are rather small, in some cases they offer more flexibility than the available (social) loans. Social capital further plays a crucial role in facilitating the access to information and knowledge both in the CoO and CoR. In the CoO, family members frequently assumed the role of local manager of the business or assisted with the administration in the CoO to bridge the distance gap. Family members are often chosen because of trust issues. On the flip side, in some situations, expectations of the family or the wider social network in the CoO, had also interfered with the growth of the business, especially regarding financial agreements. Within the CoR, diaspora networks are trying to facilitate peer learning and the sharing of experiences, but several interviewees pointed out that, in practice, this was complicated by fears of competition and mistrust among diaspora communities. It is not clear if the few organized platforms across different African diaspora communities in Belgium, together with a lack of a centralized information point, is a cause or a result of this dynamic.

An example of **economic capital** was given by agri-food entrepreneurs. Their businesses often have activities in both CoO and CoR. The nostalgia for certain food products of their African diaspora consumer base in the CoR, creates a niche market that provides the economic capital for their business. Moreover, it enables them to link and support food producers in their CoO with

consumers in the CoR (Newland, 2003; Ojo, Nwankwo, & Gbadamosi, 2013), another example of push and pull factors co-existing. On the other hand, the difficulty of marketing the product for a wider audience in the CoR and of changing the perception about African food products as inferior, was also highlighted by some of the interviewees.

Last, the **political capital** can facilitate or hinder the registration of the diaspora-based business in the CoO. Despite some exceptions (for example Rwanda), the weak institutional environment in most African countries means that African entrepreneurs must navigate complex formal and informal barriers that exist in their CoO when setting up and registering their business. Bribery, corruption and changing administrative requirements are often encountered and slow down the entire process. However, the existing social networks in the CoO (social capital) and the knowledge/education and experience they have built in the CoR (human capital) enable them to handle these complexities despite the longer time it takes.

Conclusion & recommendations

African diaspora entrepreneurs living in Belgium, have a wide range of drivers to start up a sustainable and structured business in their CoO. Our research uncovers the complexity of push and pull factors that co-exist when diaspora decide to embark on their entrepreneurial journey.

Our research further demonstrates that African diaspora entrepreneurs potentially have many resources (or types of capital) available to them both in the CoR and CoO due to their mixed embeddedness. In addition, social capital appears to be a key capital for African diaspora entrepreneurs because it can facilitate access to other types of capital. However, some key resources such as financial capital, remain limited and hard to access. Further, as illustrated through examples, resources can become challenges over time and represent an extra hurdle for diaspora entrepreneurs.

Based on the preliminary results, we formulate some early-stage recommendations for the stakeholders that play a role in the provision of support services for African diaspora entrepreneurs in Belgium. First, more adequate support for diaspora entrepreneurs, especially a wider range of financial options should be developed. Some organisations, such as Remitfund, have started to explore innovative financing modalities for (African) diaspora entrepreneurs.

Second, there is a need for a centralized information point on (African) diaspora entrepreneurship in Belgium. Currently the information flow is mostly informal and through the social networks of the entrepreneurs, leaving room for improvement as discussed earlier. Although most entrepreneurs appear to have a strong social capital, a more formal and easily accessible platform would improve the flow and exchange of information and experiences among diaspora entrepreneurs.

Last, little is known about the longer-term impact of diaspora-based businesses, and their potential to contribute to development in the CoO, even at the micro level. Having a better understanding of the long-term impact and the necessary support for diaspora entrepreneurs to achieve a positive change requires further research to start answering these questions

References

- Åkesson, L., & Eriksson Baaz, M. (2015). *Africa's Return Migrants. The new developers?* London: ZED Books.
- Baron, T., & Harima, A. (2019). The role of diaspora entrepreneurs in start-up ecosystem development – a Berlin case study. *International Journal of Entrepreneurship and Small Business*, 36, 74–102.
- Kloosterman, R., van der Leun, J., & Rath, J. (1999). Mixed Embeddedness: (In)formal Economic Activities and Immigrant Business in the Netherlands. *International Journal of Urban and Regional Research*, 23(2), 253-267.
- Madichie, N. O. (2017). Migration, Remittances, African Diaspora and the Sustainable Development Goals. *3rd International Conference on Migration and Diaspora Entrepreneurship (MDE). Exploring Creative Solutions to Exploit the Migrants' Entrepreneurial Capacity*. Bremen.
- Mayer, S. D., Harima, A., & Freiling, J. (2015). Network Benefits for Ghanaian Diaspora and Returnee Entrepreneurs. *Entrepreneurial Business and Economics Review*, 95-122. doi:10.15678/EBER.2015.030306
- Newland, K. (2003). Migration as a Factor in Development and Poverty Reduction. Retrieved 01 7, 2021, from <https://www.migrationpolicy.org/article/migration-factor-development-and-poverty-reduction/>
- Newland, K., & Tanaka, H. (2010). *Mobilizing Diaspora Entrepreneurship for Development*. Washington DC: Migration Policy Institute. Retrieved 01 8, 2021, from <https://www.migrationpolicy.org/pubs/diasporas-entrepreneurship.pdf>
- Nyame-Asiamah, F., Oduro Amoako, I., Amankwah-Amoah, J., & Debrah, Y. A. (2020). Diaspora entrepreneurs' push and pull institutional factors for investing in Africa: Insights from African returnees from the United Kingdom. *Technological Forecasting and Social Change*, 152, 119876. doi:<https://doi.org/10.1016/j.techfore.2019.119876>
- Ojo, S., Nwankwo, S., & Gbadamosi, A. (2013). African diaspora entrepreneurs. Navigating entrepreneurial spaces in 'home' and 'host' countries. *Entrepreneurship and Innovation*, 14(4), 289-299. doi:10.5367/ije.2013.0126
- Riddle, L. (2008). Diaspora. Exploring their Development Potential. *ESR Review*, 28-36.
- Riddle, L., Hrivnak, G. A., & Nielsen, T. M. (2010). Transnational diaspora entrepreneurship in emerging markets: Bridging institutional divides. *Journal of International Management*, 16(4), 398-411. doi:10.1016/j.intman.2010.09.009
- World Bank. (2020). *GDP Growth (annual %) - Sub-Saharan Africa*. Retrieved 01 09, 2021, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ZG>
- Wosu Griffin-El, E., & Olabisi, J. (2019). Diasporic Synergies: Conceptualizing African Entrepreneurship Based Upon Trans-Local Networks. *Journal of African Business*, 20(1), 55-71. doi:10.1080/15228916.2018.1469877