

# Network Dynamics of Descending Diaspora Entrepreneurship: Multiple Case Studies with Japanese Entrepreneurs in Emerging Economies

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## **Abstract**

*Entrepreneurial activities of the Diaspora attracted increased research attention in the recent years, as the phenomenon of migration is rapidly growing. The Diaspora refers to the migrants and their descendants who maintain a strong relationship with their country of origin (Safran, 1991). The previous research has, however, predominantly focused on diaspora entrepreneurs from developing or emerging economies and those who originate from developed countries are almost invisible, even though they are empirically observable (cf. Elo, 2013; Horiuchi, 2010). In fact, their entrepreneurial activities have mostly been neglected by previous research in diaspora as well as international entrepreneurship. This study coins a new concept 'Descending diaspora entrepreneurs' for the entrepreneurs from developed countries who migrate to less developed ones and explores their entrepreneurial activities through the network perspective. The literature review on entrepreneurial networks as well as diaspora networks identifies three potentially significant benefits of networks on entrepreneurial activities: (i) opportunity recognition, (ii) access to resources and (iii) motivation sustainment. Explorative multiple case studies with Japanese diaspora entrepreneurs in emerging economies (Philippine, Guatemala and Argentina) was conducted and the empirical findings were descriptively analyzed in line with the identified network benefits. Finally, the model of network dynamics for Descending Diaspora Entrepreneurs is developed based on the findings.*

**Keywords:** *Diaspora Entrepreneurship, Japanese Diaspora, Entrepreneurial Networks, Diaspora Networks, Emerging Economies, Transnational Entrepreneurial Networks*

## **INTRODUCTION**

Diasporans refer to the migrants and their descendants who maintain a strong relationship with their country of origin (Safran, 1991). In the recent years, diaspora entrepreneurship has attracted research interests, as the

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phenomenon of migration is rapidly growing with technological development in communication and transportation technology and it has become an urgent issue for the modern society to grasp the details of their transnational business activities beyond borders. Despite the numerous research attempts to understand their nature and political, social and economic impacts, the entire picture of diaspora entrepreneurs is still not clear mainly due to the inherent heterogeneity within the diaspora phenomenon. In fact, previous researchers have predominantly focused on observing a certain type of the Diaspora as if this type of people could represent the heterogeneous group, namely those who are originated from developing or emerging countries. The term “diasporans” has been even used synonymously as this population in some researches. Therefore, either intentionally or unintentionally, a number of researchers tend to describe diaspora entrepreneurs as victims of inferiority who are driven by the necessities caused by the lack of alternatives and resources. These people are, however, just a part of the whole phenomenon. In fact, the modern transnationalism allowed the emergence of various types of human motilities with different motivations and migration paths. The current status of diaspora research does not encompass these emerging new diasporans. Especially the diaspora entrepreneurs who move from developed countries to less developed one are almost invisible in the early discussion, even though they are empirically observable (cf. Elo, 2013; Horiuchi, 2010). We still have little evidence of their nature and entrepreneurial activities. Given this background, this study focuses on the overlooked dimension of economic directions in the context of migration paths through coining new terms: ‘Ascending Diaspora Entrepreneurship (ADE)’ for the diasporans who move from economically less developed contexts to the more developed ones and ‘Descending Diaspora Entrepreneurship (DDE)’ for the diasporans who pursue the opposite directions. The purpose of this study is to explore the entrepreneurial activities of Descending Diaspora Entrepreneurship through network perspectives.

According to a number of researchers, network has been recognized as a significant factor for entrepreneurship (cf. Hoang & Antoncic, 2003; O’Donnel et al., 2001). Due to their mixed embeddedness (Kloosterman et al., 1999), diasporans have diversified networks in countries of origin (COOs) and countries of residence (CORs) (Kuznetsov, 2006). For this reason, their network dynamics has been regarded as an important factor for their business activities in the past. Especially their ethnic network outside of their home countries is called ‘Diaspora Network’ and characterizes their network dynamics (Kuznetsov, 2006). We still know, however, very little about the network dynamics of DDE. Since they have different starting points and settings compared in their COOs to mono-cultural entrepreneurs, which has

been observed in the studies of entrepreneurial networks as well as Ascending Diaspora Entrepreneurs, it is questionable whether and to which extent the previous findings are applicable for the case of DDEs.

In this study, their network dynamics is explored and investigated. Thereby the following research questions will be answered: (i) which networks have influence on entrepreneurial activities of Descending Diaspora Entrepreneurship (DDE), (ii) how these networks influence on their businesses. In order to answer these questions, a multiple case study method is employed and four Japanese diaspora entrepreneurs in developing and emerging economies will be empirically observed (Philippine, Guatemala and Argentina). This paper has the following structure: Firstly, the concept and characteristics of DDE will be discussed in contrast with the previous findings on ADE. Secondly, previous research on networks in entrepreneurship will be reviewed. Thirdly, previous research on diaspora network in the context of their entrepreneurial activities will be reviewed. After the methodological explanation, the findings from the multiple case studies will be narrated and analyzed along with the identified factors from literature review. In the end of this study, a model of network dynamics in the context of DDE entrepreneurship will be developed.

### **Descending Diaspora Entrepreneurship (DDR)**

Diaspora entrepreneurship refers to entrepreneurial activities conducted by so-called diaspora populations. Diasporans are migrants and their descendants who maintain a strong relationship with their country of origin (COO) (Safran, 1991). These people are in a special cultural constellation being embedded in multiple cultures and societies of different countries (Kloosterman & Rath, 1999). Connotations of a 'diaspora' situation were usually rather negative as they were associated with forced displacement, victimization, alienation, loss (Vertovec, 1999). In recent years, however, positive impacts of the diaspora phenomenon have aroused researchers' interest. As the wave of transnationalism as well as globalization have been accelerated by rapid technological development in transportation and communication technologies, migration has gained increased significance to the modern society in the last decades (Levitt, 2001; Tölölyan, 1996). According to the International Migration Outlook from OECD (2013) there are 232 million people living outside their country of birth around the world in 2013, which represents 3.2% of the world's population. When migration continues to grow at the same pace as over the past twenty years, it is assumed that there will be 405 million migrants by 2050 in the world (International Organization for Migration, 2014). The migration phenomenon

has considerable impacts on the world economy, as it creates flows of people, money and resources especially through their transnational business activities. According to the Bilateral Remittance Matrix 2012 (Worldbank, 2012), the total amount of the worldwide inwards and outwards remittance in 2012 was c.a. 529 billion USD. Besides this immense money transfer, their entrepreneurial activities have non-monetary impacts. Diasporans are often more likely to become self-employed than mono-cultural population (CFE & DueDil, 2014). Previous research revealed several unique positive functions of diaspora entrepreneurship such as transferring information and technologies (Saxenian, 2002: 2005; Tung, 2008), economic development through home country investment (Barnard & Pendock, 2013), Immigrant economic adoption to the local economy (Portes et al. 2002). For its high social and economic relevance to the modern transnational world, diaspora entrepreneurship is of great concern not only for academicians, but also for policy makers and its importance is assumed to be growing in the future.

Despite the rapidly increasing social and academic significance of diaspora entrepreneurship (Dutia, 2012; EUKN, 2010), previous research has not given any considerable thought on the variety of diaspora entrepreneurship. Diaspora is a complex phenomenon since its definition encompasses various kinds of people (c.f. Cohen, 2008). For instance, both of war refugees and elite expatriates can be classified into diasporans, which are incomparable in numerous aspects: motivation (necessity vs. opportunity entrepreneurship), available resources and social capitals, and surrounded institutional environments. In the previous research on diaspora entrepreneurship, however, either implicitly or unconsciously, only a specific type of the diaspora has predominantly researched: namely people from economically less developed countries who migrate to more developed ones to increase their quality of life. Recently, Harima et al. (2014) raised a question about this implicit assumption and emphasized the necessity to research on diasporans from developed countries establishing their own business in developing and emerging countries due to their potential positive impacts on the modern societies. These people can be agents transferring information, technologies and institutions from developed contexts to less developed ones. In this study, I coin the term 'Descending Diaspora Entrepreneur (DDE)' for this type of people, since they migrate from the higher economic standard to the lower one. In the same manner, the other one is called 'Ascending Diaspora Entrepreneur (ADE)'.

In the past research on diaspora entrepreneurship, it is assumed that so-called diaspora networks have substantial impacts on their transnational business activities such as labor source (Light et al., 2003), source of finance (Saxenian, 2002), source of information (Meyer & Wattiaux, 2006) and

role models (Toledano & Urbano, 2008). Harima et al. (2014) argue that it is questionable whether these findings can be applicable to the context of DDE, since the initial situations of these diasporans are different from what ADE face. In this regard, they named three reasons: (i) the total number of diasporans originated from 'rich' countries is smaller than the other one and therefore, large scale of networks is not available unlike, for instance, Chinese and Indian diasporans, (ii) diasporans with the background from developed contexts have more resources and therefore, it is less necessary to depend on networks for resource complement, (iii) a majority of people from developed contexts has a rather cosmopolitan lifestyle and therefore it is less necessary to depend on networks for maintenance of their culture, tradition and ethnic values. Their argumentations solely suggest the possibility that DDE has different types of networks from ADE. Which types of networks influence on their entrepreneurial activities and how they function is still unknown. As next, previous research on networks in entrepreneurship as well as in diaspora entrepreneurship is reviewed in order to discuss possibly influencing network factors for DDE.

### **Previous research on network in entrepreneurship**

Network has been recognized as significant factor on entrepreneurial activities by numerous researchers (cf. Hoang & Antoncic, 2003; O'Donnel et al., 2001). Before some researchers started recognizing the importance of networks on economic activities in recent years, economists' argumentation was dominated that one can obtain additional resources only through market mechanism or a hierarchically arranged firm achieved through vertical integration (O'Donnel et al., 2001). Granovetter (1985) recognizes the significance of the embeddedness of economic behavior in networks of interpersonal relations. Building on the argumentations of Granovetter (1985), Williamson (1991, 1996) also discusses that network can be acknowledged as a third organizational arrangement along with market mechanism and vertical integration.

While various research on different levels of network analysis has been conducted, it falls into two principal categories: formal and informal networks (Johannisson, 1986). Similar classification has been done by Brown and Butler (1993) with inter-organizational and social networks and O'Donnel et al. (2001) inter-organizational networks and the entrepreneur's personal network. Formal networks refer to the ones related to relationships on firm and business level, while informal networks related to the relationships on individual and private level. According to O'Donnel et al., 2001, mainly two types of networks under the inter-organizational network: (i) vertical

networks, (ii) horizontal networks. Vertical networks can be observed between members of the value-adding system or distribution chain (Piercy & Cravens, 1995).

A number of potential benefits which entrepreneurs can gain from their networks have also been identified. A literature review identified mainly three categories of network benefits: (i) opportunity recognition, (ii) access to resources and (iii) motivation sustainment. First, correlation between networks and entrepreneurial opportunity recognition has been discussed by many researchers (Kontinen & Ojara, 2011; Stuart & Sorenson, 2007; Arenius & De Clercq, 2005; Hansen, 1995). Stuart and Sorenson (2007) argue that social networks shape the entrepreneurial process because they provide the conduits of private information which are important for opportunity identification. Hansen (1995) discusses that networks provide product and service ideas which is highly relevant to entrepreneurial opportunity recognition. Second, entrepreneurs can benefit from networks by accessing various types of resources such as tacit knowledge (Stuart & Sorenson, 2007), recruiting skilled labor (Birley, 1985; Stuart & Sorenson, 2007), access to financial capital (Fried & Hisrich, 1994; Hsu, 2004) and specific industrial knowledge (Bergman & Saksä, 2004). Third, networks can increase the chance that firms survive longer by motivating entrepreneurs to strengthen their business and implement change to make the company grow (Tjosvold & Weicker, 1993). Tjosvold & Weicker (1993) differentiate networks into competitive and cooperative relationships. They found out that entrepreneurial networks with cooperative relationships are positively related to long-livingness of enterprises through enhancing motivation, emotional support, encouragement and providing self-confidence.

### **Previous research on diaspora networks**

Despite the significant role of diaspora network and the increased research interest, the term diaspora network still suffers from absence of definitional consensus. The concept of diaspora network is not necessarily employed in relation with their business and economic activities (cf. Aldrich & Waldinger, 1990). It can also be used for the purpose of culture and language preservation. Since this paper investigates the role of networks in the context DDE, economic aspects of diaspora network will be focused. Diaspora networks are defined as a tool that plays an important role in reducing the costs of brain-drain by fostering cooperation and the conveyance of knowledge and skills as well as collective and business investment.

Through some recent research attempts, potential positive impacts of diaspora network have been identified both on macro and micro levels.

Probably the most discussed impact is information/knowledge transfer (Saxenian & Hsu, 2001; Taib et al., 2012; Grossman, 2010). Saxenian (2005) coined the term 'brain circulation' instead of 'brain drain', arguing that both home and host countries benefit from knowledge transferred by diasporans who move back and forth between two countries. Some scholars believe that the rapid development China and India experienced in the last decades was not possible without diaspora contributions (Huang & Khanna, 2003). Kuznetsov and Sabel (2006) discuss that such networks function as transnational search networks. Besides information/knowledge transfer, diaspora network can function as a catalyst to transfer technologies as well (Saxenian & Hsu, 2001; Kapur, 2001). Täube and Sonderegger (2009) find that diaspora network can accelerate growth and bridge weakness in local clusters. Lebrang (2010) finds that diaspora networks have both a substantively significant effect and a statistically significant effect on cross-border investment. Besides economic factors, Kent (2006) argues that organized diaspora networks may contribute to the peace-building of COOs.

It is worth to note that diaspora networks are not bounded to specific geographic locations. Due to the technological development of communication and transportation technologies, the network's nature has been transformed from geographical ethnic enclaves to virtual nations (Cheung, 2004) and therefore its impacts have grown. Therefore, it is a high-profile issue for policy makers to develop the preferable legal and economic environments for diasporans to maximize the positive impacts of diaspora networks on their own countries. Some scholars have illuminated systematic and organized attempts of governments or municipalities to leverage diaspora resources. Taib et al. (2012) investigate Malaysian government programs to attract high skilled diaspora human resources to develop a cluster in comparison to the Taiwanese successful cluster Hsinchu. Kuznetsov and Sabel (2006) discovered three examples of such governmental programs from practices: Global Scot (Scotland), ChileGlobal (Chile) and CONACYT (Mexico).

On the micro level, potential benefits of diaspora network on their entrepreneurial activities have been discussed. Diaspora networks enable entrepreneurs to access leading-edge technologies (Saxenian, 2001; Kuznetsov, 2006). Through diaspora networks, entrepreneurs can also enjoy access to the information about institutional and market information of CORs (Freinkman, 2000) as well as industrial knowledge (Taib. Et al., 2012; Saxenian, 2001). Sharing various types of tacit-knowledge compensates the lack of resources or information, which is a common challenge which migrants face in CORs, and helps diasporans to overcome cultural and institutional barriers (Nanda & Khanna, 2007). It is especially effective for diasporans who have problems with languages of host countries and the lack of available resources



and qualifications. Diaspora network has also been seen to connect people with the same ethnical background. It can, for instance, function as a labor pool for their entrepreneurial activities (Kuznetsov, 2006). Salaff et al. (2003) find that ethnic enclave helps diasporans to find more or less all the business-related people such as suppliers, customers and employees. This benefit is not restricted to regional ethnic enclave. Besides access to knowledge and human resources, diaspora network let their members find investors easier. Diasporans are more likely to invest the people from same ethnic backgrounds, since many of them have a willingness to improve conditions of their home country (Gillespie et al., 1999). It is worth to remark that diaspora entrepreneurs are often financed by their family and friends (Boyd, 1989). The impact of diaspora network on opportunity recognition as well as motivations has not explicitly been discussed in the previous studies.

Despite the findings from many studies that emphasize the role of diaspora networks as an important resource (Kuznetsov, 2006; Saxenian, 2001; Dutia, 2012), actually there is very little empirical evidence in which way and to what extent diaspora networks are relevant to entrepreneurial activities of DDE. According to Harima et al. (2014) whether these diaspora networks are crucial in this case is questionable for mainly three reasons. First, the total number of diasporans from developed countries seems to be smaller, since they experience generally no financial pressure to leave their country – compared to diasporans from developing or emerging economies. Therefore, the availability of such comprehensive diaspora networks is not comparable to that of, e.g., Chinese or Indian ones. Second, DDE are often aware of different ways of how to develop a new business based on similar solutions in different settings. Insofar, they often have not only more resources and competences available compared to ADE, but also blueprints of working business models in mind. Third, a large portion of the population in developed economies often has a rather cosmopolitan lifestyle where the role of tradition and religion is not of great significance. In such cases diaspora networks, which may require intensive contributions of members and where shared uniqueness of cultural values and norms compared to these of the COR may be essential, do not have the comparable relevance to them. Therefore, it seems possible to assume that DDE are assumed to leverage from their diaspora networks differently. Given Descending Diaspora Entrepreneurs use diaspora networks in a different way, which role diaspora network play in their entrepreneurial activities? And are there other significant networks? The discussed benefits of networks on entrepreneurship and diaspora entrepreneurship are summarized in Table 1.

**Table 1.** Benefits of networks on entrepreneurship and diaspora entrepreneurship



	Entrepreneurship	Diaspora Entrepreneurship
(1) Opportunity recognition	Product idea & service Market/Industrial knowledge	Market/Industrial knowledge
(2) Access to resources	Tacit knowledge	Knowledge about COR
	Skilled labor	Ethnic labor
	Financial capital	Diaspora FDI / Financial capital
(3) Motivation maintenance	Entrepreneurial motivation	

### Research methods

In order to explore the network dynamics of DDE, a multiple case study method is applied in line with the principles by Eisenhardt (1989) in an explorative way inspired by grounded theory (Charmaz, 2014). The explorative approach is chosen, since it is suitable for the early stage of research where little is known about the phenomenon (Eisenhardt, 1989). As research objectives, Japanese diaspora entrepreneurs conducting their business in emerging economies are selected, as Japan has one of the strongest economic power as indicated by the third highest GDP worldwide (IMF, 2014). The country is also characterized by the high educational standard where 50.8% of the population study at university (OECD, 2012) and its literacy rate is 99% (Human Development Report, 2014). The country’s income inequality is one of the smallest among OECD countries (OECD, 2013), which reduces the heterogeneity within the population. Its income inequality is very small (Global Finance, 2012), which reduces the heterogeneity within the population. In total four case studies have been conducted with Japanese entrepreneurs in Philippines, Guatemala, and Argentina in summer/autumn 2014. Interviewees were found through the author’s personal network as well as social networks. All of interviewees were born in Japan, are male entrepreneurs and it was their own decision to migrate. Observed entrepreneurs’ information is summarized in the Table 2.

While focusing on a specific COO, motivation for migration and generation allows this study to reduce related extraneous variations, choosing some different CORs enables to control the environmental variation of CORs (Eisenhardt, 1989). It also makes sense to choose cases from the Philippines, Guatemala and Argentina, since each of these three countries has different migration history with Japan. There was no significant wave of migration from Japan to the Philippines for a long time until recently. About a decade ago, Japanese entrepreneurs started moving to the Philippines to establish language businesses as Filipino workforces are, due to their English proficiency as well as low wage, ideal as English teachers for Japanese people. Now it is said that there are more than 300 Japanese companies operating language business in the Philippines. Guatemala is the first Latin American country

where Japanese migrated in the early 20<sup>th</sup> Century. But after that there is no significant migration wave between these two countries. According to Annual Report for Statistics on Japanese Nationals Overseas (the Ministry of Foreign Affairs of Japan, 2014), there are only 365 Japanese living in Guatemala in 2014. Similarly, Argentina experienced the migration wave from Japan in the beginning to 20<sup>th</sup> Century. Unlike Guatemala, Argentina has more inwards migration from Japan and has in 2014 11,791 1<sup>st</sup> generation of Japanese migrants living in the country. Argentina is also characterized by the presence of the large Japanese community. Investigating cases in these three countries illustrates meaningful comparison of environmental influences in CORs.

In-depth interviews with entrepreneurs themselves as well as related people such as employees, competitors, friends and families have been conducted in order to grasp the entire picture of circumstances surrounding enterprise. On-site observations have also been conducted in Argentina. For the sake of data triangulations, contents on company websites as well as related secondary data about the enterprise were analyzed (Yin, 2008; Denzin, 1970). The collected data was transcribed in Japanese and translated into English. It is then analyzed descriptively in line with the a priori construct (Eisenhardt, 1989) about benefits of networks discussed above: Both inter-organizational and personal networks have been analyzed (cf. O'Donnell et al., 2001). Based on the descriptive analysis, a model is developed which illustrates the assumptions how each of network components influence on DDE's entrepreneurial activities.

**Table 2.** List of Observed Entrepreneurs

	COO	COR	Business	Age
<b>Entrepreneur A</b>	Japan	Philippine	Online English course	30-39
<b>Entrepreneur B</b>	Japan	Philippine	English school	30-39
<b>Entrepreneur C</b>	Japan	Guatemala	Online Spanish course	20-29
<b>Entrepreneur D</b>	Japan	Argentina	Trading and logistics	60-69

## RESULTS

Entrepreneur A set up his business in 2009 and operates an online English school mainly for Japanese customers. The prices of English lessons are much lower than the conventional ones and lessons can be taken for 24/7 via Skype. This low price is realized by the low wage for his employees and a lack of physical facilitations. There are currently more than 20 employees and most of his employees are Filipinos and work with their own personal computers at home in the Philippines. There are also some native English teachers from England and USA and all work via internet, too. The people in

the Philippines speak fluent English and have friendly personalities, which makes them excellent English teachers for Japanese customers who do not necessarily want to be taught by native speakers but want to have more opportunities to speak English. His business is truly transnational that the official firm location is in Japan, although entrepreneur himself operates his business from outside of the country such as Buenos Aires and Mexico City, while his employees are mostly working in the Philippines. In his case, no significant formal networks can be observed. Entrepreneur A had worked as a photographer before his current carrier and his previous vocational networks do not play a role on his business. It is noticeable that all the employees are English teachers and he does not have any full-time managerial employees after five years of successful operation. As indicated in the previous section, the industry of online English lessons in Philippines for Northern Asian customers is a rapidly growing and there are more than 300 Japanese firms according to the informants. His company is one of the first-movers and still one of the most famous ones. His operation is mostly conducted virtually through the Internet. He outsources some of managerial operations such as accounting and lawyer and accountant to foreign professionals from third countries such as India, Mexico and other Latin American countries whom he found in the Internet. As for personal networks, he has a number of friends in many countries and some of them are entrepreneurs. These networks can be described as weak ties, since the entrepreneur A does not have intensive and regular interactions with certain people. Entrepreneur A goes to informal meetings and parties for international entrepreneurs where he can exchange his entrepreneurial experiences with other entrepreneurs. He is embedded neither in Japanese diaspora networks nor in the Philippine community deeply, but has 'cosmopolitan' networks consists of various weak ties with the people from different countries.

Entrepreneur B established his English school in early 2010 in a rural area in the Northern part of the Philippines together with a Philippine co-founder. At the time of the interview, he had 4 Japanese full-time employees and 120 Filipino teachers and staff. His business is very successful - almost 2000 students have already studied at school since the foundation. The value propositions of his business are to make it possible for customers to learn English abroad at affordable prices and to experience foreign contexts. He recognized this opportunity through his own experience at a language school in the USA. Most of Japanese people who pay much money to learn English at language school in the USA or in other English speaking countries have already good grammatical understanding and can read and write English sufficiently. Speaking is, however, a crucial issue for them, since Japanese education system does not encourage people to proactively speak English. Even though

the major aim of the Japanese who decided to invest time and money to learn English abroad is to improve their speaking proficiency, they are afraid of making mistakes in front of others and mostly do not speak during the lesson, once they are in a foreign country and learn English with the people from other parts of the world. He thought “actually, what Japanese need is a chance to talk with someone in English. For this purpose, they don’t have to pay much money for native speakers!” In his school, students can take at least 4 hours of personal English lessons with Filipino teachers with a good English proficiency during the week. Additionally, they often communicate with each other in English, because all of the students and teachers live in apartments located on school’s property. In this way, he managed to offer opportunities for Japanese customers to speak English proactively and intensively. He has some horizontal inter-organizational networks with competitors. While he has less networks with dominant market players, he gives advices to young Japanese companies who are establishing similar businesses in Philippines. The vertical network in his case is also assumed to be intensive and strong. Since all the students live in the same place as the Entrepreneur B and his employees, he is in the condition to acquire diversified information from his customers. His open-mindedness as well as high communication skills allow him to obtain important information about potential customer demand. He analyzed for himself that this co-creation process made a unique selling proposition of this company and had made his company survive successfully in the fierce competition. The importance of Japanese diaspora network was not recognized in his case. His local co-founder also plays a crucial role, since he has some properties which they could use for school buildings in the beginning. With his help, he could start his business with small initial investment. In addition, this local partner negotiates with local people as well as business partners. In his case, his employees and customers (students) are crucial motivational factors. Entrepreneur B is driven by his object to make his school better for his students and employees.

Entrepreneur C is the youngest interviewee in this research. He established an online Spanish school in Guatemala in 2012 with his Japanese co-founder. His business model is similar to the one of Entrepreneur A, in fact was inspired by the online English school market in the Philippines. There is, however, one remarkable difference that they have two physical company buildings with technical facilities such as personal computers, electric generators and the Internet where teachers can give lessons to students via Internet. The reasons why they have these facilities is that technical infrastructures in Guatemala are less developed than in the Philippines and they cannot rely on private technical conditions of their employees due to a slow internet connection, frequent electrical outage and the low quality

of computers. Students can take personal Spanish lessons via Skype for low prices and all the teachers are Guatemalan and native Spanish speakers. After working for a large advertisement company in Japan, entrepreneur C quit his job to travel around the world. During this trip, he learned Spanish in Guatemala and noticed the bad working conditions Spanish teachers have due to the low wage and strong seasonal fluctuations through the conversation with them during Spanish classes. Entrepreneur C thought “I thought this would be a problem we could solve. The bad situation they faced drove me to make a decision to build up a business.” In fact, through his business, he has created a perfect match between the demand of Japanese customers who want to learn Spanish for affordable price and the demand of Guatemalan Spanish teachers who seek a fair wage as well as season-independent working condition. In online Spanish school market, he is one of the pioneers and the market is still not concentrated as English school market in the Philippines. While entrepreneur C has had no strong horizontal inter-organizational network with other online language schools, he has a strong intention to leverage from vertical networks with customers systematically. In order to identify hidden or potential demands for his business in the future, he proactively gathers information about vocational and personal backgrounds of his customers. As soon as he identifies interesting customers, he contacts them personally via email and asks them for their opinions. In fact, some crucial company’s strategic decisions such as expansions of operating units are made based on such information. As for personal networks, he has strong emotional supports from his family as well as his partner. What is worth mentioning about the network dynamics in his case is the significant role of digital world. He gathers information related to his business through communication via social networks. Social networks also gave him some pictures of role models and ideas for his business. He is also a selected member of Global Shapers, a network of hubs initiated by World Economic Forum, where he is connected virtually to other international entrepreneurs. This specific network contributes to enhance his motivation for his business, as it enables to communicate with other international social entrepreneurs who have similar motivations as entrepreneur C. Apart from virtual networks, it is noticeable that he has a trustful Guatemalan headmaster of a Spanish language school as his local cooperation partner. Without her help, he would not have managed to find trustful and qualified employees. In his case, it is also worth mentioning that local employees play a significant role for sustaining his entrepreneurial motivation, since improving their working conditions was his primary motivation to start his business and he has a strong sense of responsibility for their life.

The case of entrepreneur D differs from other ones in many aspects. He migrated to Argentina already in 1970s and the company has survived 24 years in the turbulence of instable economic and political situations of Argentina. Entrepreneur D established his company in 1990 in Buenos Aires, after working for several local Japanese companies. He conducts businesses in some different areas such as trading, distributing and travel agency. His initial motivation for migration is to challenge himself to survive in a completely different environment and to create something new from the scratch by himself. Since internet was not popularized at the point entrepreneur D migrated to Argentina and started his business, his business and its success heavily rely on both formal and informal networks of the entrepreneur. In fact, from the very beginning, he had a strong intention to establish different types of networks with diversified sorts of people including Japanese expatriate managers and directors, presidents of some Japanese, Argentinean companies, Japanese embassy and chamber of commerce and local people. In the beginning, he frequently flew between Japan and Argentina to establish some meaningful networks for his future business. The significant impact of networks on his business-related decision can be observed in the history of business development. For instance, the first business he established before the current company was related to fishing equipment. This industry was chosen only because he had contacts with some managers of Japanese fish equipment companies. There is also another example showing the impact of networks on his business. Through intensive relationships with the local Japanese community consisting of both 1<sup>st</sup> and 2<sup>nd</sup> generations of Japanese migrants, he recognized a next business chance to distribute Japanese newspapers as well as publications to Japanese expatriates in Buenos Aires. The intensive interactions with the Japanese Diaspora in Argentina allowed him to see how important for those who conduct their business with Japanese companies it is to keep abreast of the latest information and to notice many members of the Japanese Diaspora community long for readings in Japanese, even those who speak Spanish at almost native-speaker level. Simultaneously he managed to establish a contact with OCS (Overseas Couriers Service) in Japan. Under this perfect condition, he became a representative of OCS Argentina to be responsible for distribution of Japanese publications within the local Japanese community. This distribution of publications is still one of his businesses until now. One more example is his friendship with the Japanese football association. In the beginning, he took care of planning for the trip of the Japanese national football teams to Latin American countries informally, which turned to be a part of his business later. One of the departments of his company functions as a travel agency and still takes care of the travel of the national football

team. Like the other cases, the role of local partners was also crucial. In his business, it was necessary to obtain some licenses to operate as freight forwarder, which required him to overcome a number of legal obstacles. He had a few trustful local partners such as accountant who could take care of these issues. Besides local partners, the local employees gave him motivation to make his business successful, because he believes trustful employees are most important assets for the company in order to survive in the instable environment of the country.

### **Benefits of the networks for Japanese entrepreneurs**

The network dynamics of four Japanese diaspora entrepreneurs will be analyzed along with the potential benefits of networks on entrepreneurial activities discussed above: (i) opportunity recognition (Kontinen & Ojala, 2011; Stuart & Sorenson, 2007; Arenius & De Clercq, 2005; Hansen, 1995), (ii) access to resources (Stuart & Sorenson, 2007; Birley, 1985; Fried & Hisrich, 1994; Bergman & Saksa, 2004) and (iii) motivation sustainment (Tjosvold & Weicker, 1993).

*Opportunity Recognition* – two timing-related different types of opportunity recognitions were recognized: (i) Initial opportunity recognition and (ii) opportunity recognition for expansions based on the multiple case study. As for the initial opportunity recognition, case studies show that digital social networks such as twitters and blogs offer information about the business insight of other diaspora and international entrepreneurs which have positive impacts on their entrepreneurial opportunity recognition in the initial phase. Entrepreneur A and C used these social networks in order to identify business opportunities before they found their company in their pre-migration phase. Entrepreneur B identified his initial opportunity during his travel with the help of information from digital social networks. Entrepreneur A, B and C do not use digital social networks passively like reading blogs and twitters, but interact with other diaspora entrepreneurs by exchanging opinions. Entrepreneur D was the only one who identified his initial business idea through physical networks with various people, from both his formal and informal relationships, in his post-migration phase. It is interesting to observe that entrepreneur A, B and C, who proactively use social networks as their information tool in the context of initial opportunity recognition, identified their business opportunity in their pre-migration phase, while entrepreneur D, who relies on his networks in COO and Japanese diaspora networks in COR, recognized his business chance after the migration. It can be assumed that the digital world enabled for people who are interested in establishing their business outside of their home countries to identify entrepreneurial



opportunities, while they are still based on their home country. It was not possible in 1970s, when entrepreneur D migrated to Argentina. Social networks may function as substitution to diaspora networks in COR.

While the observed entrepreneurs used either digital social networks or networks in COO and COR in the initial phase of their entrepreneurial activities, it was observed that they used different types of networks for expanding their business in the later stage. Especially the active usage of vertical networks of entrepreneur B and C is of significance. They proactively attempt to use their customers as information source to identify future opportunities for their business. Entrepreneur B decided to expand his business to offer IT-education, since he noticed during the interaction with his students that IT proficiencies are demanded besides language proficiencies from international companies outside of Japan, where many of his students are willing to work after their graduation. Entrepreneur C also made a strategic decision to offer his service for Japanese universities, since he recognized that linguistic students at many Japanese universities take Spanish lessons at his school, since there are not sufficient opportunities to speak Spanish at their universities. Entrepreneur D, in contrast, relied heavily on his networks in COO and in COR. With whom he has contacts is directly related to his strategic decisions in terms of expansion. The people with whom he established relationship became later his customers, business partners and suppliers.

*Access to Resources* - As discussed above, resources include tacit knowledge (Latour, 1989; Stuart & Sorenson, 2007), market & industrial knowledge (Bergman & Saksä, 2004), human resources (Birley, 1985; Stuart & Sorenson, 2007) as well as financial resources (Fried & Hisrich, 1994; Hsu, 2004). In the diaspora context, access to tacit knowledge about COR is especially important due to their mixed embeddedness. Operating businesses in foreign contexts require them to overcome social, political and economic barriers. Empirical findings suggest that the role of local partners is enormous. In all of the four cases, entrepreneurs have at least one local co-founder or business partner who plays a significant role in negotiating with local people and coping with of institutional barriers. Without the existence of trustful partners, they could not have managed a number of challenging situations caused by such barriers. It can be therefore assumed that it is crucial to find a trustful local partner to overcome barriers.

Some networks provided accesses to market and industrial knowledge. In case of entrepreneurs A, B and C, they proactively use information gathered through digital social networks about competitors and industries. In the case of entrepreneur D, his business network in Japan as well as the Japanese Diaspora network gave him an access to this type of information. Again, the substitutive function of digital social networks to classic physical networks

can be observed. In fact, interestingly enough, entrepreneurs A, B and C do not have visible diaspora networks in their COR. Networks can potentially give an access to talented or qualified human resources to entrepreneurs (Birley, 1985). Interviewees used different types of networks to acquire human resources for their business. Entrepreneur A, B and C acquired their local personals through their local partner. The local partner enables diaspora entrepreneurs not only to overcome barriers, but also to find trustful local employees. Due to the linguistic and cultural differences between COO and COR, it is challenging to find qualified and trustful local personnel for diaspora entrepreneurs. Besides the local partners, social networks in the case of entrepreneur A play an interesting role in finding low-cost managerial personals such as lawyers and accountants via internet from all over the world.

In previous studies, diaspora networks as well as family ties were seen as an important financial resource for entrepreneurship in the diaspora context (Boyd, 1989). In four observed cases, all entrepreneurs financed their business on their own and did not rely on others. Therefore, the network's function as financial capitals could not be observed in this study.

*Motivation Sustainment* - Entrepreneur A has a sort of cosmopolitan network with other international entrepreneurs especially from Western countries in his COR, which offers him opportunity to discuss businesses and entrepreneurial activities. Entrepreneur B has an interesting relationship with younger Japanese entrepreneurs who want to establish similar businesses in Philippines. He provides concrete managerial advices as well as business know-how to younger entrepreneurs who potentially become his direct competitors in the future. This horizontal inter-organizational network functions to motivate younger diaspora entrepreneurs, but simultaneously he seems to be energized by younger entrepreneurs by recognizing his own strengths and the necessity to focus on them in order to survive the competition. Entrepreneur C is a member of Global Shapers organization, which a number of international social entrepreneurs belong to. Entrepreneur C's primary motivation to become entrepreneur is to improve the working condition of Guatemalan people. Global Shapers gives an opportunity to him to share his motivation with other social entrepreneurs who have similar goals.

Besides these networks, four interviewed entrepreneurs have a common factor which keeps their entrepreneurial motivation: a strong sense of responsibility for their local employees. Entrepreneur A, B and C see them as a sort of social entrepreneurs, since their primary motivation was to improve the life condition in CORs. Entrepreneur D is not a social entrepreneur but he values his employees and treats them as his family. The trust of employees in entrepreneur D is especially worth mentioning in this regard. He made

substantial efforts at the sacrifice of his own benefits to offer good working conditions for his employees. For instance, there is a department in his firm which does not create positive figures to the company over years. Entrepreneur D decided to keep this department running because he did not abandon his employees working for the department. At one time, he also paid the entire tuition of one of his employees who had worked as a driver for years. This driver told him that he wanted to study business so that he could make more contributions to the company. Such decisions seem to be illogical and irrational from the economic perspective at first sight. However, these efforts created a strong sense of loyalty of his employees, which reduced the turnover rate and increased the working efficiency. In fact, his employees work hard in order that the company can survive for a long time and that driver is still working for the company, but not as a driver any more, but a sales professional after his graduation. It is a virtuous cycle that the existence of his local employees motivate him to keep his business successful, and his efforts motivate his local employees to work for the company. Empirical results are summarized in the Table 3 below.

**Table 3.** Empirical results

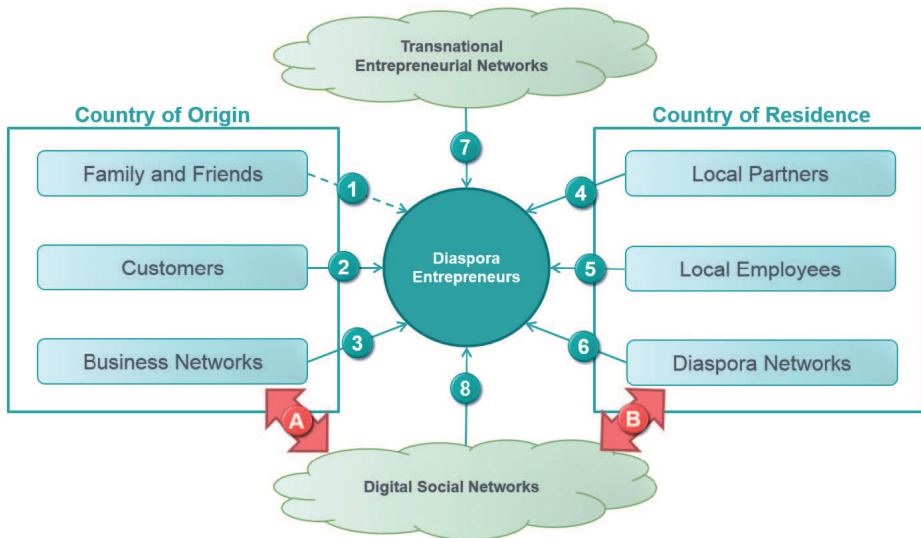
Network Benefits		A	B	C	D
(i) Opportunity recognition	In the initial phase	VN	VN	VN	DN & HN
	In the expansion phase	VN	VN	VN	DN & HN
(ii) Access to resources	Market/industrial Knowledge	VN	VN	VN	DN & HN
	Tacit knowledge	LP	LP	LP	LP
	Skilled labor	VN	LP	LP	LP
	Financial capital	-	-	-	-
(iii) Motivation maintenances	Entrepreneurial motivation	LE	LE	LE	LE
	& self-confidence	TEN	HoN	TEN	

VN: Virtual network, DN: Diaspora network, HN: Home network, LP: Local partner; LE: Local employees; TEN; Transnational entrepreneurial network, HoN: Horizontal network.

### Network mechanism of descending diaspora entrepreneurship

Based on the empirical findings and discussion above, a model illustrating the network dynamics of descending diaspora entrepreneurs is developed and visualized in Figure 1. Multiple case studies with four Japanese DDEs identified eight different types of networks which are related to this type of entrepreneurs: (1) Private networks such as family and friends of entrepreneurs, (2) Vertical networks with customers in COOs, (3) Business networks in COOs, (4) local partners in CORs, (5) local employees in CORs, (6) Diaspora networks in CORs, (7) Transnational entrepreneurial networks, both

formal (e.g. Global Shapers) and informal, (8) digital social networks such as twitter, blogs and Facebook. As the Figure 1 depicts, there are three categories of networks where diaspora entrepreneurs can be embedded: networks in COOs, in CORs and the ones beyond national borders (Transnational entrepreneurial networks and digital social networks).



**Figure 1.** Network dynamics of descending diaspora entrepreneurship

The conducted case studies did not show any significant role of private networks (1). Entrepreneurs' family and friends in COOs support them emotionally, but unlike the conventional assumptions for ADEs, this type of network does not function as financial capital (Boyd, 1989) or human capital (Kuznetsov, 2006) in the context of DDEs. The vertical network with customers (2) often provides useful information for their business expansion. The (previous) business networks in COOs (3) are often helpful in terms of opportunity recognitions both in the initial and expanding phase. However, it was observed that entrepreneurs who proactively use digital social networks tend not to rely on this network. Therefore, this network and the digital social network are assumed to substitute to each other. This study highlighted the significant function of local partners (4) for diaspora entrepreneurs in overcoming barriers caused by institutional, cultural and legal differences between COOs and CORs, since they possess tacit knowledge about the context of CORs which entrepreneurs cannot learn in a short term. The

relation with local partners gives them an access to local human resources. The networks with local employees (5) have a unique function. DDEs with strong social orientation have a sense of responsibility for the life quality of their local employees. Therefore, the relation with them has a positive impact on their motivation for their business. The diaspora network in CORs (6) allows entrepreneurs to recognize business opportunities and provide market and industrial knowledge. But again, this network seems to substitute digital social networks which have similar functions. For the entrepreneurs with strong digital orientation the diaspora network does not play a significant role. It turned to be clear that DDEs benefit from transnational entrepreneurial networks (7) which formed by entrepreneurs from different countries. It gives them an opportunity to share their motivation and challenges in their entrepreneurial activities beyond national borders. The digital social networks (8) might characterize the modern diaspora entrepreneurs most as it could have all of three network benefits: opportunity recognition, access to resources and motivation maintenance.

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## DISCUSSION

While the model above illustrates basic assumptions of how different networks influence the entrepreneurial activities of DDEs, there are some issues to be considered in order to apply it for future research. First of all, this model is developed based on the cases solely with the 1<sup>st</sup> generation of migrants in order to avoid the complexity caused by the heterogeneity within the diaspora phenomenon. A certain modification is necessary to apply this model in case of investigating the 2<sup>nd</sup> generation diaspora. For instance, the 2<sup>nd</sup> generation diaspora who were born and have grown up in CORs do not have difficulties with their settings. Therefore, it is assumed to be unnecessary to have local partners in CORs. These people would rather need partners in COOs, when they make a business related to their COOs.

The second issue to be considered is external factors influencing the intensive usage of digital social networks. The empirical findings indicate some of DDEs use digital social networks as a substitute of physical networks. In this regard, several aspects should be clarified. First, the intensive use of digital social networks can be specific to the sample populations. Japanese population is characterized by its intensive use of digital media. For instance, Japan has the third largest number of Twitter accounts in the world and is also the second most-active country in terms of posted tweets, behind the USA. Japanese is also the second most-used language on Twitter (All Twitter, 2012). According to the Internet Geographies at the Oxford Internet Institute (Graham & De Sabbata, 2013), however, almost all of the developed

countries have higher internet population as well as penetration. It is related to the well-developed internet infrastructure as well as the high salary to allow the population to afford own personal computers as well as smart phones in developed countries. In other words, developed countries offer better conditions for the intensive use of digital media for their population. Therefore, it can be assumed that digital networks are more significant for DDEs than ADEs, while, due to the technological development, digital networks are assumed to play an increasing role for ADEs, too. Second, this intensive use of digital networks can be specific to the industry (online service providers). While entrepreneur B, who is offering his service physically, also relies heavily on digital social networks in many respects, further cases with entrepreneurs who offer their services and products physically should be investigated.

The third issue handles the motivational heterogeneity within DDEs. Their motivation to leave their COO and to become an entrepreneur in a country with a worse economic condition does not seem to be necessity driven at first sight. However, we know little what exactly drives them to make this courageous decision. In this study, the surveyed entrepreneurs seem to have a mixed motivation of social entrepreneurship as well as aspiration for self-realization. As indicated in the finding, a relationship with local employees has a positive impact on their motivation sustainment for those who are motivated by social missions. There are, however, DDEs driven by the favorable economic gap between developed and developing/emerging countries. Since their primary goal is to maximize the benefit from this gap, this relation with local employees are assumed to have different influences on their businesses.

The fourth issue is related to the role of local partners. The results of multiple case studies revealed the significance of local partners for Japanese entrepreneurs in emerging economies. Since the role of local partners has not been discussed by previous research on ADEs, their presence seems not to be important for ADEs. This can be explained by ADE's strong reliance on their diaspora network in CORs. It can be assumed that ADEs attempt to overcome institutional and cultural barriers with the help of their diaspora networks, while DDEs with the help of the local partners, since their diaspora networks are not so intensive as the one of ADEs (Harima et al., 2014).

The last issue is the necessity to consider environmental difference in terms of the availability of extensive diaspora networks. Some countries (cities) have large community of a certain ethnicity, while others not. In the investigated cases, the Philippines and Argentina have rather large Japanese communities, while Guatemala has only a limited number of Japanese population. In such a case, entrepreneurs should rely on other types of

network, since there is no significant diaspora network. The correlation between the degree of intensiveness of available diaspora network in CORs and entrepreneurs' usage of digital social networks should be further investigated.

## CONCLUSION

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In this study, the network dynamics of diaspora entrepreneurs who migrate from developed to developing and emerging country was investigated. For this purpose, multiple case studies with Japanese diaspora entrepreneurs in emerging economies (the Philippines, Guatemala and Argentina) were conducted. The findings were analyzed in line with the benefits of networks identified through the literature review. The empirical studies identified eight potentially significant networks on their entrepreneurial activities: (1) Private networks such as family and friends of entrepreneurs, (2) vertical networks with customers, (3) business networks in COOs, (4) local partners in CORs, (5) local employees in CORs, (6) diaspora networks in CORs, (7) transnational entrepreneurial networks, both formal (e.g. Global Shapers) and informal, (8) digital social networks such as twitter, blogs and Facebook. A model of network dynamics was developed and potential benefits of each network was discussed.

This study has some limitations. Since this study observed one ethnic group, these findings can be specific to their contexts. The results might differ in other diaspora groups from developed countries (e.g. European or Northern American diasporans). For example, Japanese population is strongly characterized by its intensive usage of digital media. The strong reliance on digital networks, which was one of the major findings in this research, may not be the case for other diaspora populations. Therefore, it is necessary to conduct further qualitative research with other ethnic groups. In the future, how specifically digital networks can substitute physical ones in the diaspora context should be investigated, since there are various types and usages of digital networks, which this research did not refer. Other dimensions such as motivations should be further investigated, since all of the four observed entrepreneurs have a strong sense of social responsibility. This may not be representative in the group.

There are some major findings in regard of DDEs which contribute to the current research status of diaspora entrepreneurship. First of all, local partners in CORs play a crucial role for their businesses in terms of overcoming institutional and cultural barriers between COOs and CORs with their tacit knowledge about the country. Secondly, networks with their local employees exert a positive impact on their motivation maintenance, since



these entrepreneurs are driven by similar motivation. Thirdly, they may have access to transnational entrepreneurial networks with other entrepreneurs from different countries which enhances their entrepreneurial motivations. In the previous diaspora research, while the emergence of digital networks within the same ethnicity has been featured recently, the existence of this transnational entrepreneurial networks is almost invisible. Fourth, this study highlighted the potential impacts of digital social networks which may substitute networks of diaspora entrepreneurs in their COOs and CORs. The digital social networks are assumed to have similar functions as classical business networks in COOs and diaspora networks in CORs in terms of opportunity recognition, access to resources and motivation. In fact, it seems that the emergence of digital world changed the nature of the network dynamics surrounding diaspora entrepreneurs that they are now able to enjoy these benefits through internet while staying in their COOs. It might enable the opportunity recognition and access to resources in the pre-migration phase.

In conclusion, this study takes a first step to tackle the inherited heterogeneity of the diaspora phenomenon by shedding a light on the overlooked type of diasporans and their entrepreneurial activities from the lens of network theories, who migrate from developed countries to less developed ones. This study also coined terms, Descending Diaspora Entrepreneurs and Ascending Diaspora Entrepreneurs, which enable the future research to consider the economic dimension of migration paths and its impacts on their entrepreneurial activities.

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### **Abstrakt (in Polish)**

*Działania przedsiębiorcze diaspory przyciągają coraz większą uwagę badaczy, co ma związek z gwałtownym wzrostem zjawiska migracji. Diaspora odnosi się do migrantów i ich potomków, którzy utrzymują silne relacje z ojczystym krajem (Safran, 1991). Dotychczasowe badania koncentrowały się przede wszystkim na przedsiębiorcach diaspory z krajów rozwijających się lub wschodzących rynków, natomiast przedsiębiorcy z państw rozwiniętych pozostawali prawie niewidoczni, chociaż da się ich zaobserwować empirycznie (cf. Elo, 2013; Horiuchi, 2010). W rzeczywistości, ich działania przedsiębiorcze były zazwyczaj pomijane w badaniach diaspory jak również badaniach dotyczących międzynarodowej przedsiębiorczości. Niniejsza praca proponuje dwa nowe pojęcia: Przedsiębiorców Diaspory-Potomków Emigrantów – dla przedsiębiorców, którzy wyemigrowali z bogatych krajów do krajów mniej rozwiniętych i bada ich działalność przedsiębiorczą stosując perspektywę sieci. Przegląd literatury zajmującej się sieciami przedsiębiorców, jak również sieciami diaspory identyfikuje trzy potencjalnie znaczące korzyści sieci dla działań przedsiębiorczych: (i) uznanie szans, (ii) dostęp do zasobów, oraz (iii) podtrzymywanie motywacji. Przeprowadzono eksploracyjne, wielowątkowe studia przypadków obejmujące przedsiębiorców japońskiej diaspory na wschodzących rynkach (Filipiny, Gwatemala, i Argentyna), a wyniki empiryczne przeanalizowano zgodnie z przyjętymi korzyściami sieciowymi. Wreszcie, stworzono model dynamiki sieci dla Przedsiębiorców Diaspory-Potomków Emigrantów na podstawie wyników badań.*

**Słowa kluczowe:** przedsiębiorczość diaspory, japońska diaspora, sieci przedsiębiorców, sieci diaspory, wschodzące rynki, trans-narodowe sieci przedsiębiorców.

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