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INTERNATIONAL ENTREPRENEURS:
SUGGESTIONS FROM AN EMPIRICAL
STUDY IN THE CANADIAN CONTEXT

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HOW CAN WE ENGAGE DIASPORAS AS INTERNATIONAL ENTREPRENEURS: SUGGESTIONS FROM AN EMPIRICAL STUDY IN THE CANADIAN CONTEXT¹

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Introduction

The objective of this project is to carry out an empirical study of the critical determinants of the development of Diaspora international entrepreneurs doing business between Canada and their countries of origin. By diaspora international entrepreneurs (DIE), we mean immigrants or descendants of immigrants who reside permanently in the host country (Canada in this study) while maintaining a psychic link with the country of origin and who carry out economic international activities between the two countries on a regular basis. Scholars and practitioners have often affirmed that “Diasporas” entrepreneurs are potential business investors and trade bridges between home and host countries. This affirmation suggests that international business activities of Diaspora international entrepreneurs could be an alternative form of immigrant economic adaptation in the host country.

Despite these affirmations, very few empirical studies have been carried out and determinants of the success of these activities have not been systematically identified. The current study intends to close this gap.

Methodology

Using a framework developed in the extant literature, a questionnaire has been developed on Canadian Diaspora international entrepreneurs with regard to their individual attributes, organizing and strategic capacity, and their perception of the business environment in Canada and their home countries. The questionnaire was translated in English and French and put online through the Qualtrics system. In addition, Word and PDF versions were made available to be sent to interviewees if needed. A Chinese version was also made available to those comfortable in this language.

Three students, one at the undergraduate level and two at the MBA level, were recruited to carry out the survey. Given that a database of Diaspora international entrepreneurs was not available, the interviewers had to first identify cultural communities in Canada and thereafter use their

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executives as informants to identify entrepreneurs in their communities. Unfortunately, this process did not produce satisfactory results due to the fact that the majority of executives were reluctant to give any information on their members as this was beyond their mandate. Therefore, the social media and personal contacts followed by the snowball process were used to identify the Diaspora international entrepreneurs.

At the end of May, 67 entrepreneurs had been interviewed. Of these, eight responses were not retained due to lack of consistency. Other respondents may be added to this list later if they return their responses in the coming days. In the meantime, a usable sample of 59 respondents has been utilized for a preliminary analysis. All the usable data from respondents has been keyed into SPSS Software for preliminary analysis. Data entry and preliminary analysis (frequencies) was carried out in Plattsburgh and Montreal in August-September 2016.

Examples of findings

Data were collected on the three dimensions of the study: entrepreneurial attributes, organizing and strategic capacity, and business environment in host and country of origin. Table 1 presents the characteristics of entrepreneurs and their firms. Around one third (30.5%) of the sample received more than 30% (often considered the threshold of dependency on foreign activities) of sales from international activities and almost the same proportion (28.8%) received less than 30% of sales from international activities.

Table 1: Characteristics of Entrepreneurs and Their Firms (in %)

Sectors of Activities (%)	
Manufacturing	6.8
Construction	5.1
Recycling	3.4
Financial services	3.4
Food services	23.7
Other services	55.9
No response	1.7
Total	100.0
Origin of Entrepreneurs (%)	
Western Europe	3.4
Middle East & North Africa	5.1
Latin America & Caribbean	1.7
South Asia	52.5
Eastern Europe & Central Asia	6.8
Sub-Saharan Africa	25.4
No response	5.7
Total	100.0
Importance of foreign activities between home and host countries (%)	
Less than 25%	28.8
26-50%	20.3
51-75%	11.9
76-100%	30.5
No response	8.3
Total	100.0
Age of the firm (number of years)	
4 years and less	35.6

5-9 years	33.9
10-14 years	10.2
15-19 years	11.8
More than 5 years	3.4
No response	5.1
Total	100.0
Period between starting a business and its internationalization	
Same year	49.2
1-2 years	23.7
3-5 years	10.2
More than 5 years	11.9
No response	5.1
Total	100.0
Age of the entrepreneur at the start of international activities	
Less than 35 years	39
36-45 years	42.4
46-55 years	13.6
Over 55 years	5.1
Total	100.0
Highest education level of the entrepreneur	
Less than completed high school	1.7
Completed high school	8.5
Bachelor degree	35.6
Master degree	27.1
PhD degree	16.9
Post high school graduate other than bachelor, master or PhD degrees	10.2
Total	100.0
Level of the entrepreneur's fluency in speaking at least one of the Canadian official languages	
Poor	3.4
Fair	11.9
Good	18.6
Very good	20.3
Excellent	45.8
No response	0
Total	100.0
Level of the entrepreneur's fluency in writing at least one of the Canadian official language	
Poor	5.1
Fair	6.8
Good	28.8
Very good	18.6
Excellent	40.7
No response	0
Total	100.0

Thirty-six percent of the companies were four years old or less and 34% were between five and nine years old. With regards to fluency in official languages at the moment of the internationalization of activities, the percentage of entrepreneurs who were at least good (good, very good or excellent) in English speaking, written English, speaking French, written French was 75%, 78%, 36% and 34% respectively. The percentage of entrepreneurs with at least a good level of speaking and writing fluency in either of the two official languages was 85% and 88% respectively.

Forty-nine percent of respondents had full time employees and 20% had at least part-time employees in Canada. But only 42% had full time employees in the country of origin (8.5% with at least part-time employees).

With regards to entrepreneurial orientation, more than 60% of respondents were pro-active, and less than 50% were risk takers and innovative. After examining the ambitions that propelled them to undertake international activities in their countries of origin, more than 70% of them started businesses because they felt that Canada and the country of origin were the best market for their firms (71.2%) and they found it profitable to internationalize their activities (69.5%). The application of technology to a new environment was an ambition of only 45.8% of respondents.

Looking at their motivation to engage in international activities between Canada and their countries of origin, more than 80% of respondents were motivated by the common values they share with the countries of origin (91.5%), the need to challenge themselves (86.4%), their better understanding of the business environment in the country of origin than foreigners (84.8%), and the competitive advantage they had for sharing the same ethnic background with people in the country of origin (83%). Only a few respondents were motivated to undertake international activities due to the inability to adapt to the Canadian environment (10.2%), a lack of satisfying job in Canada (22.1%), and a lack of promotion in a previous job (22.1%).

With regards to the sources of opportunities, the most important were close friends (75%), informal industry networks (71%), systematic market research (64%), and former job or business colleagues (61%). Their alertness and systematic observation of their environment were the most important determinants that helped them to identify the opportunities (more than 70% of respondents).

The majority of respondents seemed highly capable of adapting their product or service to the environment of the country of origin. The most important determinants of this capability were close contacts with customers (94.9%) and a system designed to improve these contacts (91.5%).

To compete in the market place, 30% of diaspora international entrepreneurs used low cost leadership strategies and more than 80% used the differentiation mostly based on the product quality, the product design, and the pre- and after-sales service.

The most frequently mentioned factors impeding the start-up and development of firms in the countries of origin were taxes (62.7%), legislation (62.7%), corruption (61%) time spent to negotiate with local government (61%), lack of funds (52.5%), competition from local businesses (50.8%), and scarcity of reliable and competent employees (50.8%). By contrast, less than 30% of respondents mentioned socio-cultural factors such as family pressures for participation in social activities (27%) and fear of sorcery (22.1%).

Table 2: Entrepreneurial Orientation of Diaspora International Entrepreneurs

Entrepreneurial orientation of the diaspora international entrepreneur								
	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)	Not applicable (6)	No response	Total
Taking gambles is part of my strategy for success (1)	16.9	28.8	6.8	30.5	11.9	3.4	1.7	100
Taking above average risks in my firm (2)	13.6	18.6	15.3	35.6	11.9	3.4	1.7	100
Taking chances as an element of my strategy (3)	10.2	11.9	18.6	47.5	5.1	3.4	3.4	100
As characterized by a strong tendency to take risks (4)	11.9	18.6	18.6	32.2	11.9	5.1	1.7	100
Being known as an innovator among business-owners in my area (5)	5.1	11.9	25.4	32.2	13.6	8.5	3.4	100
As promoting new, innovative products and services in my firm (6)	3.4	8.5	11.9	50.8	16.9	6.8	1.7	100
As providing leadership in developing new products and services (7)	3.4	8.5	13.6	50.8	16.9	5.1	1.7	100
As constantly experimenting with new products and services (8)	5.1	5.1	18.6	47.5	13.6	8.5	1.7	100
As usually taking action in anticipation of future market conditions (9)	3.4	11.9	10.2	50.8	11.9	10.2	1.7	100
trying to shape my business environment to enhance my presence in the market (10)	1.7	5.1	10.2	52.5	18.6	10.2	1.7	100
Continually seeking out new opportunities because market conditions are changing (11)	1.7	3.4	5.1	54.2	25.4	8.5	1.7	100
Consistently trying to position myself to meet emerging demands (12)	0	1.7	0	59.3	25.4	11.9	1.7	100

Only slightly more than one third of respondents felt that supporting services abroad (42.4%) or at home (40.7%), friendly attitude of the local government (40.7%), and close relationships with diaspora organization (40.7%) could facilitate start-up and growth of diaspora international businesses.

Regarding facilitating factors of start-up and growth of diaspora international businesses in Canada, the three most frequently mentioned factors were the tolerance of the community (55.9%), the recognition and validation of credentials from the country of origin (47.5%), and the government programs and services supporting immigrant organizations (40.7%).

These are just a few findings from the survey and there are more on each dimension of the framework. Given the small sample size, further analyses were carried out on a PLS-SEM program using the SmartPLS Software. The analysis was carried out first on the attributes, then on the organizing and strategic capability, and, finally, on the challenges faced in the two environments. To assess the impact of the different factors in the study, we examined the t values, the probability level of significance ($p = 1\%$ means very important, $p = 5\%$ means important, and $p = 10\%$ means moderately important) of path coefficients, the R^2 , the f^2 and total effects (TE) of constructs for their relevancy. The path coefficient value (β_i) between two factors indicates the level of relationship (from -1 to +1) between them. The R^2 values are expressed in percentage to represent the amount of explained variance of the factors in the phenomenon explained (impact of the independent variables on the dependent variable). A high R^2 value means that the phenomenon is well explained, and consequently could be well predicted, by the factors considered. The f^2 evaluates the impact that the omission of a specified factor would have on the phenomenon it is influencing. Otherwise, it measures the importance of the omitted factor on the phenomenon influenced. The total effect (TE) is the sum of all the effects (direct and indirect) on a given phenomenon. It is a good measure to explore the differential impact of different driver variables on a phenomenon via several mediating variables.

In the results below, the predictive force of the model (R^2 value) expressed as a percentage is presented for each analysis. Then the statistical significance of the result found in terms of probability at 1% (better), 5% (moderate) and 10% (acceptable) is presented. Sometimes, in the absence of statistical significance, we look at the absolute importance of the value found. Thirdly, we look at the effect of the dimension examined on the total variation of the phenomenon. And finally, we look at the impact that the absence of the variable would have on the phenomenon (called the f^2 value).

We found that the models were significantly predictive in the three analyses. In the analysis of the entrepreneur's attributes, the model explained 96% of variation in the entrepreneur's attributes and 19% of variation in the international performance. It revealed that motivation was the most determinant factor (significant and positive path coefficient at $p = 5\%$, positive and significant total effects at $p = 5\%$ and significant f^2 at $p = 1\%$). Among the motivating factors, four were found pertinent, namely, altruism and prestige (significant at $p = 5\%$), search of opportunities and growth (significant at $p = 1\%$), familiarity with the market and business

environment (significant at $p = 5\%$), and challenges faced in the host country (significant at $p = 5\%$).

After motivation, entrepreneurial orientation was a determinant as well (high and positive path coefficient, positive high total effect, significant f^2 at $p = 1\%$). The three components of the entrepreneurial orientation were statistically and significantly associated with attributes and international performance, namely, innovativeness (significant at $p = 1\%$), proactiveness (significant at $p = 1\%$), and risk-taking (significant at $p = 5\%$).

In addition to motivation and entrepreneurial orientation, other important determinants identified, although not statistically significant, were previous experience (high but surprisingly negative path coefficient, high and negative total effect, moderate and non significant f^2), and demographic characteristics (moderate and surprisingly negative path coefficient, moderate and negative total effect, and non significant f^2).

In the analysis of the organizing and strategic capabilities, the model explained 89% of variation in the organizing and strategic capabilities and 55% of variation in the international performance.

Analysis revealed that the most significant determinants in this area were the competitive strategies (significant path coefficient at $p = 5\%$, significant total effects at $p = 5\%$, significant f^2 at $p = 1\%$), the partnership, especially the choice of partners (moderate, but not significant path coefficient, significant total effect of partner choice at $p = 10\%$, and f^2 significant at $p = 5\%$), and the product/service development (moderate, but not significant path coefficient and f^2 at $p = 10\%$).

Other factors that were important, but not statistically significant, include the ability to identify opportunities (moderate path coefficient), the modes of entry (moderate path coefficient), and the adaptation needed (negative and significant f^2).

After the analysis of determinants in the Canadian and home country environment, the model explained 98% of variation in business environment and 32% of variation in international performance.

The model identified the home country impeding factors most significant in determining whether to undertake business activities between Canada and the home country (positive path coefficient significant at $p = 10\%$, positive total effect significant at $p = 10\%$, significant f^2 at $p = 1\%$). Among the impeding factors in the home country, the lack of human and financial resources was identified as the most important factor (positive path coefficient significant at $p = 5\%$, significant f^2 at $p = 1\%$).

The home country facilitating factors were found moderately determinant (moderate and positive path coefficient but not significant). The same conclusion was found for the home country attitude (positive path coefficient significant at $p = 5\%$).

As well, the host country facilitating factors were found moderately determinant (moderate and positive path coefficient but not significant). Among the facilitating factors in the host country,

the host country attitude was the most important factor to determine business activities between the host and the home country (path coefficient positive and significant at $p = 5\%$).

Suggestions to policymakers and practitioners

In light of these findings, preliminary suggestions to increase the business activities of immigrants between Canada and their home countries are as follows:

- A) For immigrant candidates willing to becoming international entrepreneurs between home and host countries:
1. Assess your entrepreneurial orientation potential. To this end, you can use items in Table 2 to measure your level of risk taking (items 1, 2, 3, 4), innovativeness (items 5, 6, 7, 8), and proactiveness (items 9, 10, 11, 12).
 2. Be aware that your experience in the home country is both an advantage and a disadvantage. It is an advantage because you do not have a foreign liability (ignorance) of the home country. But it is a disadvantage as it is a foreign liability for the host country as the environment in the host country is different and you will need to learn how to face this new environment without forgetting how to do business in your home country. Knowing the dominant Canadian official language of the place you have settled is important to build networks and understand different managerial practices in Canada.
 3. Carefully identify business opportunities by a close examination of the needs and product/service availability in both the home and the host country.
 4. Carefully choose partners on the basis of their competence and reliability, rather than on kinship, friendship, or political position.
 5. Be ready to spend time and money to train people in the home country for more competencies.
 6. In the host country, diversify your acquaintances with people of different origins and avoid living in a ghetto limited to people from your home country. This will facilitate your integration in the country you have embraced.
 7. Develop competitive business strategies by applying differentiation of your products/services, instead of adopting only the low cost strategy.
 8. Stay open minded to the culture and habits of the host country while being ready to share with others what you have left behind in your home country. Assisting at public events (e.g., cultural or sport) organized in your city can help a lot.
- B) For host country governments and organizations welcoming and supporting immigrants:
1. Early after arrival in Canada, identifying the entrepreneurial orientation of immigrants and motivation to do business with home country can increase success.

2. Offering financial support and advice on organizational and strategic challenges, in the Canadian context, to entrepreneurs with higher entrepreneurial orientation can help.
 3. Integration of possible candidates in the host country should focus on their acceptance by the host community (e.g. meetings and events in the community).
- C) For home countries encouraging and keeping a positive attitude toward former citizens living abroad:
1. Emigration should no longer be considered a brain drain, but instead as a source of improving skills and competencies with returnees or diaspora members willing to invest in the home country.
 2. Facilitate travel to the country (for example, double citizenship or no requirement of entry visa) and starting businesses (for example, easy access to business permit and fast access to land ownership).
 3. Foreign government services located abroad should encourage diasporas to invest in the home country and present available opportunities.