

# Diaspora Brain Circulation and Transnational Entrepreneurship: The Black African SME Diaspora's approach to Internationalisation in the United Kingdom

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## Abstract

We explore the usefulness of the concept of cross-border networking as a legitimate tool for transnational entrepreneurship. Our focus is on the role that different diaspora communities play in using the dual habitus of their countries of origin and their migratory destination in developing networked-based entrepreneurial initiatives.

Robust international, diaspora business networks are established as a function of three criteria: dispersion, a homeland orientation and boundary maintenance (Brubaker, 2005) and these networks enable innovative ideas, new technologies and best practices to enrich their twin habitus (Bourdieu, 1977; 1990). We build on the idea of the resulting conceptual shift from “brain drain” to “brain circulation” (Filatotchev et al., 2009; Saxenian, 2005) to investigate how these concepts shape and drive new forms of international entrepreneurship. We use resource-based and contingency theories (Barney, 1991 Peng, 2001; Manolova, et al 2002; Lautanen, 2000; Hutchinson, Quinn, & Alexander, 2006;) to explain networking capabilities and financial performances of African Diaspora SMEs in the UK. We test three hypotheses through a survey of 650 African businesses in the UK. We use factor analysis to check the dimensionality of the constructs before subjecting them to the path analysis mode of structural equation modelling.

The results reveal a significant positive relationship between manager's networking experience and satisfaction in new geographical markets, market positioning and profitability, and between the three objective indicators of network performance: network capacity, network intensity, and growth. Our study provides nuanced insights for policy making supporting both internationalization of UK businesses and supporting economic migration.

**Keywords: Diaspora; Transnational; Black African; Networking, Dual Habitus; Brain Circulation**

**JEL Classification: D22; D85; F29; F69; J61**

## Introduction

The pivotal role of diasporic and transnational communities in poverty reduction, reconstruction, growth and the development of their homeland, is generating considerable policy and research interest. This interest is different from the one that has preoccupied scholarship in minority business and economic development. While the latter

has often been couched in the lingo of disadvantage and the overcoming of obstacles, diaspora activity has crossed national borders indicating possibilities of unique advantage.

The extant literature acknowledges the role of diasporas in supporting the development of their countries of origin through remittances, trade, knowledge sharing, investment and innovative international business practices (Agrawal et al, 2011). This is often aided by their international business networks, which they develop and maintain by keeping in constant touch with their homeland. According to Brubaker (2005), in order to be defined as a diaspora rather than simply a migrant, an individual has to meet three criteria: dispersion, a homeland orientation and boundary maintenance that is the maintenance of a distinctive identity vis-à-vis the host country. These three criteria also constitute the structural characteristics of a transnational network, which in their linked formation generate benefits for the diaspora communities and their dual habitus. The benefits of a diaspora (as seen in better business performance, for example) accrue precisely because a migrant does not wish to simply assimilate, but retains an ongoing orientation to the homeland. However, the ongoing importance of the homeland has some cost, and substantial work in the culture arena examines how displacement affects diasporas (Svasek, 2008) and their distinctive identities.

The cultivation of a distinctive identity for diasporas is a function of networks and networking which enable innovative ideas, new technologies and best practices to enrich their twin habitus (Bourdieu, 1977, 1990). Unlike the traditional view of migrants detaching themselves permanently from their homelands, the diasporic interest is in transnational activity, with the transnational component activating a circulation of resources and talent between plural habitus. Instead of the one way traffic of such resources inherent in traditional migration, we need to consider a conceptual shift in understanding the cross-circulation of resource flows from and to different cross-border environments, and from “brain drain” to “brain circulation” (Filatotchev et al., 2009; Saxenian, 2005), to investigate how these concepts shape and drive new forms of entrepreneurship in a connected world.

To investigate the nature of transnational and diasporic entrepreneurship we need a starting point in the form of a set of economic activities and a particular community of interest in a specific country and their transnational networking experience. Past studies have examined the circulating enterprise of Asian (mainly Chinese and Indian) in the USA (Saxenian, 2005, Wadhwa, 2012). We examine transnational business activity among Black African entrepreneurs in the UK and how they use the dual habitus of their countries of origin and their migratory destination in securing unique resources, establishing networks and nurturing networking skills while reversing traditional constraints of brain drain to progressive “brain circulation” through entrepreneurial initiatives. The value of novel activity lies in positive and productive outcomes and for our purpose we measure entrepreneurial outcomes in terms of business performance as achieved through growth in sales and profitability. Our enquiry helps to counter the neglect in major studies in entrepreneurship of the global potential of minority (especially Black African) entrepreneurs, and the need to offer some fresh insights into international business and entrepreneurship. To this end we evaluate how Black African diaspora businesses are positioned in terms of their prospect for growth and internationalization and crucially what type of networks they are using to grow their networks in the UK and internationally.

We use international networking and resource-based and contingency theories (Barney, 1991 Peng, 2001; Manolova, et al, 2002; Lautanen, 2000; Hutchinson, Quinn, & Alexander, 2006) to explain resource building and networking capabilities of the African Diaspora SMEs in the UK. We then posit 3 hypotheses which we test by carrying out a survey of 650 respondents based on purposive sampling from the African business community in the UK. We use exploratory factor analysis to conducting validity tests analysis and Bartlett’s Sphericity test and Kaiser–Meyer– Olkin (KMO) measures to ascertain the suitability of the variables for confirmatory factor analysis of the survey data. Structural Equation Modelling was used to test the data more rigorously and validate the findings. Our results reveal a significant positive relationship between manager’s networking experience and satisfaction in new geographical markets, market positioning and profitability, and between the three objective indicators of network performance: network intensity, the number of new geographical markets and network zones. These findings do not necessarily conform to what the literature has to offer. However, they offer considerable scope for policy formulation, which can potentially support trade-based and other international business relationships between the UK and African countries, and also for further research in transnational entrepreneurship.

In the rest of the paper we present an overview of the literature on transnational entrepreneurs, followed by an explanation of the context of our study, a description of the research design, methods and data collection, the findings and concluding observations and implications.

## **Diaspora and Transnational Entrepreneurs: An Overview of the Literature and Hypotheses Building**

We have about 400 years of globalisation represented by a succession of regional & long-distance trading networks in Asia & Europe, from the Mediterranean to northern European seas, the Indian Ocean, southeast Asian seas, and then across the Atlantic & Pacific Oceans. Organised groups of merchant families and their extended regional networks having the same ethnic origin (Arabs, Armenians, Chinese, Greeks, Jews, Japanese, Maltese, Parsis, Scots, Indians) plus regional sub-groups (Julfan Armenians, Baghdadi Jews, Hadhrami Arabs), formed what has been referred to as “trade diasporas” (Abner Cohen, 1971). Linked to exile and entrepreneurial networks, the evolution of these Diasporas marks an extraordinary ability to develop social and economic networks and cross-cultural activity. Cross-cultural trade mostly in Eurasian continent (first period Christian-Islamic divide was the central axis) was followed by the movement of Armenians, Jews, and Greeks, as part of trade diasporas within Muslim environments. Yet another axis of movement – the Muslim-Hindu-Chinese divide - can be found among the Arabs, Baghdadi Jews, Chinese, Gujarati communities (McCabe et al (2005)). They were prominent in trade, shipping in finance but also in control of mode of production of traded goods, such as cotton, silk, grain & jute.

Many different eras have been used to define the African Diaspora, and this underlies various perspectives. The important role of the diaspora and its possible developmental effects has made the African Union (AU) to endorse a working definition of “the African Diaspora”, which states that the African Diaspora represents indigenous Africans (regardless of nationality or citizenship) who live outside the African continent and who show the inclination to contribute to continental development and the building of the African Union (AU cited in Ionescu, 2006). This definition situates, ontologically, the African diaspora beyond Brubaker’s three-tiered concept in that we are not simply examining movements in a dual habitus but actions across a much widely networked multiple habitus. The structural characteristics of the African transnational network are, therefore, distinguished by this fourth component of a wider networked habitus. We obtain a larger framework for defining and mapping out strategies by African nations who want to enhance the contribution of the diaspora towards multi-national development. Palmer’s (2000) idea of the modern African diaspora considers millions of African natives who reside in various foreign societies, and who despite their cultural and political differences among them, share a sensitive bond with one another through their continental ancestry facing similar challenges in raising and understanding themselves (Palmer, 2000).

What is clear from the above descriptions is the acceptance of the African diaspora as a highly networked community which can be explained:

- Ontologically by extending Brubaker’s (2005) definition of a diaspora in that they not only meet the three criteria of dispersion, homeland orientation and boundary maintenance but are also more inclined to have a broader networked vision of the place of the African continent in the world, which we could refer to as Afro-globalisation underpinned by the values of localisation and internationalisation in kinship;
- Spatially in terms of displacement activity across the African continent and in Europe or North America (Svasek, 2008), and the conceptual shift from “brain drain” to “brain circulation” which enhances the scope of global networking (Filatotchev et al., 2009; Saxenian, 2005) by tapping resources at their disposal in their multiple habitus; and
- Entrepreneurially, through resource mobilisation coupled with opportunity development and expansion of sources of innovation, involving the “sharing of capital, creation and expansion of businesses” (Flisi and Murat, 2011), “technical knowledge” (Agrawal et al., 2011) and “expectations of how business should be conducted” (Riddle and Brinkerhoff, 2011).

These three theoretical explanations help us to understand the diaspora community as consisting of social actors who create and develop networks, ideas, information and unique practices for the purpose of identifying entrepreneurial business opportunities or maintaining such businesses within multiple social fields in spatially diverse environments (Honig, et al 2010)

### **The Business of the Black African Diaspora**

Contemporary discourses on black entrepreneurship gained momentum in the mainstream business literature fairly recently, probably starting with Allvine (1970). Since then, isolating and specifically focusing black

businesses, niche studies have generated an impetus especially in the USA (Green and Pryde 1990; Bates, 2006; Martin et al, 2006; Bonds, 2007; Boston, 2007; Fairlie and Robb, 2007) and in the UK (Wilson and Stanworth, 1986; Blankson and Omar, 2002; GLA, 2004; Nwankwo, 2005; Ekwulugo, 2006). There is, however, little by way of consistent historical data on the actual size of black businesses in the UK. Official statistics, especially those issued by the Regional Development Agencies are generally deemed unreliable and contestable. In London, for example, it is estimated that there are over 10,000 officially recorded businesses owned by people of Black origin (4% of all London businesses), with a turnover of approximately £4.5billion and providing around 70,000 jobs (LDA, 2005). The Africa-Caribbean Business Network (ACBN), estimates aggregate business turnover to be in the region of £12billion. Such discrepant estimations belie two important points. First, there are methodological problems in the study of black entrepreneurship in the UK, including inadequate census protocols for measuring the actual size of the black economy (Nwankwo, Ekwulugo and Madichie, 2005). Second, but complementarily, the size of the 'informal' black economy (especially the self-employed) is huge but often escapes capture in official statistics (Nwankwo, 2005).

Black entrepreneurship is reported to be growing at a much faster rate (80% in the past decade) when compared with other ethnic groups - white 4%, and Asian 45% (LDA, 2005; SBS, 2003, 2005). Far from being concentrated in a few niche markets, black businesses are spread across all areas of the economy. The main sectors - by number of businesses- indicate a more visible concentration in three major areas; (i) business and professional services; (ii) wholesale & retail services (including logistics/ freight forwarding, cab offices, cosmetics and fashion, auto mechanics and electrical repairs and electronics trades) and (iii) food sector (including agribusiness, hotels, restaurants and general catering services), all of which offer prospects for rapid internationalisation. These positive indicators point to a capacity for growth in both domestic and international markets.

How diaspora communities network to perform transnational business activity becomes a function of their performance resulting from such networking, the intensity of their networks and their capacity to do networking in intense networks and demonstrate higher performance levels. But there is something profoundly elusive in defining diaspora contributions to home countries. First, when the role of Diasporas is most useful, it is most difficult to define. Second, both the strength and magnitude of the talent abroad and the strength of home country institutions to utilize the talent abroad is critical. Third, successful cases of diaspora engagement are relatively rare, and most Diasporas and expatriate networks emerge spontaneously. When they engage they do so because of the emergence of vibrant economies in their countries of origin and the concomitant increased formalization of the economy of those countries, together with the business-friendly supervisory environment allowing easy access to finance. Engagement oriented fiscal, monetary and institutional policies and special legal status for the diaspora investors coupled with low import duties and provision of information about business laws and regulations also contribute to active transnational engagement. The perspectives of politics and culture including high and sustainable business creation rates correlates to good governance (Ramamurti, 2004) and better access to financial capital access: Some micro-finance schemes are bankrolled by diaspora organizations (Kate et al, 1999). Positive sociocultural opinions of entrepreneurs and entrepreneurship (Thomas and Wee-Liang, 2001) alongside diaspora exposure to several cultures may develop viewpoints of entrepreneurship different from those prevalent in their country of ancestry (e.g. celebrations of accomplishments of diaspora entrepreneurs in Taiwan, Israel, China, Nigeria and India (Tracy, 2010)). However, we lack data and evidence for African diaspora transnational entrepreneurial activity, the type of networks used, and actual levels of network capacity and intensity. To overcome this deficit we use key concepts and constructs from the literature on international networks to develop a set of hypotheses which with to test the assumptions about Black African diaspora international business proclivity.

### **International Networking**

A number of studies attempt to measure and test the potential of international networking in influencing a firm's performance (Roberston and Chetty, 2000; Loxton and Weerawardena, 2006; Hilmersson and Jansson, 2011). Investigating the firm's business networks and how they are used for internationalization are critical considerations (Coviello and Munro, 1997; Chetty and Holm, 2000; Kenny 2009). Considering the arguments in support of international networking and its potential impact on firm performances, it is reasonable to expect higher levels of SMEs profitability and sales (Chetty and Holm, 2000; Hilmersson and Jansson, 2011; Narvar and Slater, 1995; Li and Lin 2006, Watson, 2007) and better market positioning (Jaworski and Kohli, 1993). Therefore, our first hypothesis (H1) can be developed as follows:

*H1: International networking significantly affects the performance of SMEs*

### **Network Capacity**

Resource Based View (RBV) theory focuses on the firm's existing capabilities and resources in terms of making major decisions such as forming and implementing strategies, market choices, international market entering mood, developing products and etc. (Grant, 1996; Bell et al., 2003). Firms should also be aware of their unique and differentiated abilities and core competences (Werner, 2002). In engaging in international activities firms should be able to recognize the cooperative companies' resources, capabilities and valuable information, decision making processes and learn how to apply them in their own business (Ritter and Gemunden (2003) and in figuring out their decisions and policies in the network structure (Gronum et al., 2012).

Two key aspects of network resources are worth considering - one focusing on information sharing (Moller and Torronen, 2003; Li and Lin 2006; Walter et.al, 2006; Berghman et al, 2006; Kenny and Fahy, 2011), and the other on the use of combined knowledge resources (Kale et al., 2000; Rindfleisch and Moorman, 2001; Li and Lin, 2006). The information sharing dimension refers to the ability of firm to integrate, exchange, and deploy information in organization (Li and Lin 2006; Lu et al., 2010; Kenny and Fahy, 2011). Firms work with two kinds of knowledge sources: internal sources of knowledge involves inter firm communications, while external sources include the acquisition of information via seminars, journals and linkages with partner firms (Lu et al, 2010). The other form of knowledge acquisition method is through close relationships and interactions with cooperative companies via business clusters (Lane and Koka, 2006; Kenny, 2009; Li and Lin, 2006). The resulting synergy focuses on complementary resources of firms in networks. Small and medium sized firms have to think of partners resources and overcome their limitations in this regard (Hoang and Antoncic, 2003; Lu et al., 2010). Firm's willingness toward sharing own unique competences and making use of external resource, and compatibility with other partners are main issues in discussing synergy resources in network structures (Ford, 2002). Firms try to find overlaps or similarities between their resources and those with whom they cooperate (Li and Lin, 2006). The combination and appropriate use of resources to enhancing the firms' profitability and growth together with achieving economies of scale are important issues in network related studies. Hence our second hypothesis (H2) suggests that:

*H2: There is a positive and significant relationship between network capacity and the performance in SMEs*

### **Network Intensity**

The number of network contacts in a given period is referred to as network intensity. The key element that fosters network intensity is network learning, which enhances the firm's ability and capability by obtaining and implementing knowledge development (Bonner et. al, 2005). Learning via international linkages is very important for commutation since gaining competitive advantages for firms is a knowledge based activity. Firms attempt to learn and acquire the opportunities before other competitive firms or new arrivals (Kale and Sing, 2007). Network learning involves the effort made by firms to learn in conjunction with and from other firms (Gronum et al., 2012). By having suitable information transfer systems, firms can share the information within the firm (Hoang and Rottaermel, 2005). Learning also helps businesses to act faster than competitors in problematic situations (Powell et al, 1996; Gulati, 1999; Kale and Sing, 2007). The information gained via leaning activities of firms, often involving the use of tacit knowledge (Helfat, 2007), is valuable for partners. They can also be useful in generating complementary resources and even promoting the quality and profitability of the firm's products and its profitability (Hsu and Pereira, 2008). Therefore, we hypothesise that learning via networks has a positive impact on a firm's performance and profitability (H3):

*H3: There is a positive and significant relationship between network intensity and firm performance in SMEs*

Synthesizing the literature and developing the hypotheses led to development of the conceptual framework of this research (see figure 1 below). The research model illustrates two main dimensions of international networking, namely network capacity consisting of resources involves firm's information sharing and synergy in network structures, and network intensity which includes the learning ability of firms during networking (Rindfleisch and Moorman, 2001; Ritter and Gemunden, 2003; Booner et al., 2005; Walter et al., 2006; Loxton and Weerawardena, 2006; Kenny and Fahy, 2011; Hilmersson and Jansson, 2011; Gronum et al, 2012). The dependent variable is the firm's performance which considers the more common expected measures of profitability and sales growth (Roberston and Chetty, 2002; Sousa, 2003; Loxton and Weerawardena, 2006; Kenny and Fahy, 2011; Hilmersson and Jansson, 2011; Tajvidi and Karami, 2012).

*Insert Figure 1 here*

### **Research Methods and Data Collection**

### **Research Setting**

In the UK, the recent emergence and growth of regionally based industrial clusters of Black African diaspora firms, together with the participation of various regional institutions, has provided opportunities for studying the relationships between a business network, innovative capabilities and performances/output of the participating firms. The population for our research consisted of a geographical cluster of African diaspora's firms operating in London and Southeast England. Following Wellman (1988) and Asheim (1998) we define the business network in question as the set of relationships that exist among the firms and other businesses and institutions connected to those firms. As McEvily and Zaheer (1999), Baptista and Swann (1999), and Porter (1998) suggest, a prominent feature of geographical clusters of industrial firms is extensive inter-firm networks supporting frequent and repeated knowledge sharing and collaborative innovation. Firms operating in a cluster also connected to local institutions providing support in the areas of skilled labor, capital, R&D and other professional service (Romo and Schwartz, 1995).

### **Sample and Data**

The population for the present study includes SMEs of African Diasporas in the UK. Purposive random sampling technique and snowballing was adopted to obtain the research subjects from this population. The snowballing method helped in finding data from difficult-to-find or hard-to-reach members of the diaspora community. Primary data was collected using a structured on-line questionnaire and mail survey from 920 SMEs operating in manufacturing, service providers and R&D sectors among African diaspora's SMEs in the UK. The questions were developed using standard questions collecting from previously published research outputs. Furthermore, an on-line questionnaire was constructed using Survey-Monkey software. In order to increase the response rate, the questions were phrased in a simple, user-friendly form. For the postal questionnaires the respondents were provided with a pre-paid envelop to return the completed questionnaire. The questionnaires were constructed in two main parts to cover the variables related to both dimensions of the research model. The first part includes eight questions asking about respondents' demographic profile such as the participants' age, gender, working experiences, their position in the company, academic degree as well as the type and age of company. The second part of the questionnaire was designed in three sections which obtains information about major variables including knowledge sharing, synergy and learning. The variables in the second part of questionnaire were measured in a five point Likert scale, following studies by Hilmersson and Jansson, (2011) and Rana and Azhdar (2014). Of the 920 firms companies identified for the survey, 659 firms returned completed questionnaires, of which 650 questionnaires were usable. The inclusion criteria for the participating firm was that they must have branches in Africa, have at least three years of experience in firm internationalization, and that at least 25% of their international business was based in the African continent.

### **Validity and reliability of the data collection instrument**

Following (Karami, 2009) we tested the validity and relevance of the questions by carrying out a pilot study to ascertain the validity and reliability of the questionnaire and ensure that the questions were set in appropriate order and were user friendly (Saunders et al., 2007). A total of 40 questionnaires were sent to 20 firms via the survey-monkey platform.

The Cronbach's alpha for all of the total 30 questions is 0.86, showing the acceptable reliability index of the research model. The Cronbach's alpha for the international networking related variables is 0.85, and for firm performance is 0.89, demonstrating that both the main sections of questionnaire (international networking and firm performance) were highly reliable. Reliability tests were also carried out for the research variables in the conceptual model, as shown in Table 1 below.

### ***Insert Table 1 here***

All the four variables show a Cronbach alpha rating of above 0.7, indicating that the reliability of the questionnaire and the inner identity of the questionnaire structure were strong and acceptable. The high reliability levels also indicate that the selected statistical analysis is feasible and appropriate.

### **Measurement considerations**

The literature review revealed that the format of the theoretical construct measurement in most of the international network studies was based on the five or seven point of Likert Scale. Therefore, for measuring the variables related to international networks and firm performance, the five point Likert Scale was adopted. A wide range of literature was reviewed to determine the constructs and wording of the questions according to

indicators. Table 2 below illustrates the measurement for each construct used in this research and the relevant supporting literature.

*Insert Table 2 here*

We use factor analysis to test construct dimensionality based on the data collected through the survey. In order to ascertain the suitability of the variables, Bartlett's Sphericity test and KMO measures were employed to ascertain the suitability of the variables for confirmatory factor analysis of the survey data. In order to obtain a broad picture of the data and to select the appropriate statistical tests, descriptive statistical analyses, including means, and standard deviations, were used. The statistical tests were used to feed the Structural Equation Modelling (SEM) path diagram methodology for testing the hypotheses and to allow for both linear and cross-sectional analysis of the variables.

## **Findings**

We start with the demographic profile of the respondents as shown in Table 3 below.

*Insert Table 3 here*

The descriptive data analysis reveals that most of the participants (273, N=42.00%) were between the ages 41-50. The majority of participants (59.85%, N=389), were business owners followed by managers (32.92%, N=214) while employees that have the least number represented in the survey accounted for 7.23 % (N=47). Comparing the gender and educational level of participants, the data analysis shows that the majority of the participants had bachelor degrees (31.54%, N=205). The gender representation is fairly balanced with 53.38 % (N=347) of the respondents being male while the females accounted for 46.62% (N=303). The data shows that 78.92 % (N=513) of the businesses are located in London while 21.08 % (N=137) are located in Southeast England. Further analysis of the data shows that the majority of participating firms were service providers with the rate of 64.15% (N= 417). The second dominant group of participating firms was manufacturing firms (31.23%, N=203) and the third one was R&D based businesses (4.62%, N= 30). Finally, only a small number of firms (2.30%, N=15) reported that their annual turnover is less than £70,000.

Factor analysis (see Table 4 below) procedures were employed for checking construct dimensionality followed by descriptive statistics and correlations for the variables/constructs utilised in further analyses.

*Insert Table 4 here*

The validity of the indicator variables used in the study was assessed by both examining the individual item-loadings and the average variance extracted (AVE), respectively, as suggested by Eom, Wen and Ashill (2006). All items had factor loadings in excess of 0.5, thus providing support for convergent validity of the measures. Discriminant validity was assessed by comparing the square root of the average variance extracted (AVE) for each construct with the correlation between constructs in the model. As shown in Table 1, AVE values were greater than their corresponding correlation values, affirming discriminant validity among indicator variables. As we are aware that a common method variance problem can result from collecting dependent and independent variables from the same source, we checked for this potential problem with the Harman one-factor test (Podsakoff & Organ, 1986). A factor analysis of the dependent and independent variables yielded five factors accounting for 78% of the variance. Because no single factor emerged and no one general factor accounted for most of the variance, we found evidence that common method variance was not a serious concern in the data.

The descriptive statistics and correlation matrix in Table 5 shows significant correlations between independent factors as acceptable level among the measures. The magnitude of the correlations and the analysis of variance inflation factors (VIFs) showed no support for the existence of multi-collinearity. No values in the bivariate correlation matrix were higher than the threshold of 0.7 (Elango & Patnaik, 2007).

*Insert Table 5 here*

### **Validity Analysis**

“The validity analysis aims to test the coinciding degree of the measurement content to the research objectives” (Biedenbach and Muller, 2011, p. 23). In order to conduct validity analysis, exploratory factor analysis was applied using Bartlett’s Sphericity test and KMO measures to find out whether the variables are suitable for confirmatory factor analysis. As Biedenbach and Muller (2011) assert, if the value of significant level of Bartlett’s test is  $<0.001$  in general, and the KMO is greater than 0.5, then the variable is suitable for confirmatory factor analysis. In this research, the values of significance of the Bartlett test ( $0.000 < 0.001$ ) and ( $KMO=0.80 > 0.5$ ) indicate that the collected data has been well correlated and that the factor analysis is feasible. The results of Bartlett and KMO test and factor analysis are illustrated in Tables 6 and 7 below.

*Insert Table 6 here*

The result of factor analyzing in table 6 illustrates that all the variables of the research have significant and high factor loading values ( $FL > 0.6$ ). In Table 7 below the output of the factor analysis shows that all the 30 variables utilized in this analysis have high factor loading ( $FL > 0.6$ ) and are significant.

*Insert Table 7 here*

### **Structural Equation Modelling (SEM) Path Model**

We used the SEM path model to represent, estimate and test the network of relationships between the different observed and latent variables of networking and performance used in our study (Hoyle, 1995) and the hypothesized patterns of directional and non-directional relationships among the set of observed (measured) and unobserved (latent) variables (MacCallum & Austin, 2000). This helps us to account for variation and covariation of the measured variables (MVs). We selected a path diagram which is a pictorial representation of a model. Our research has three hypotheses which are indicated on the SEM graphical model. Analysis of the data shows that that all path coefficients and t-values of the research variables which are used to measure international networking and firm performance, such as information sharing and synergy for measuring network resources; learning for measuring network intensity; and profitability and sales growth for measuring firm performance, are positive and significant. In order to test the three hypotheses, t-values and path coefficients should be considered. If the t-value is estimated to be more than 2 with an acceptable p-value ( $p < 0.05$ ) then it could be in supporting the determined hypothesis. The result of SEM analysis is shown in Figures 2 and 3 below.

*Insert Figures 2 and 3 here*

The results of testing the SEM model (summarised below in Table 8 below) show that the firms involved in international networking were performing better than the firms that were not involved in such activity (path coefficient, 0.59 and t-value t: 8.95). Therefore H1 is accepted. This finding suggests that small and medium sized firms need to establish networks either off line or online to share the resources and capabilities with the other firms. This major finding has been supported by further detailed analysis in this research. Hypothesis 2 tests the relationship between network resources and firm performance. We found that the relationship between network capacity and firm performance (path coefficient 0.78 and t-value t: 8.76) is positive and significant. Therefore H2 is accepted. Furthermore, this study shows a positive and significant relationship between network intensity and firm’s performance (path coefficient 0.86 and t-value t: 9.44). Therefore, the result of this research suggests that network operations positively influence the firm performance, indicating that H3 is acceptable. As we note in Table 8 below for the constructs of the international networking variable, the path coefficients are: information sharing ( $\beta = 0.58$ ), synergy ( $\beta = 0.78$ ), learning ( $\beta = 0.85$ ). Similarly, for the variables for firm performance constructs, the path coefficients are: profitability ( $\beta = 0.81$ ), and sales growth ( $\beta = 0.79$ ). These findings indicate that all of the three international networking and firm performance coefficients have considerable positive value. Accordingly, it can be concluded that there is a positive relationship between international networking and firm performance in in SMEs.

*Insert Table 8 here*



## **Discussion**

This paper identifies the structural characteristics of the African diaspora business network – their dispersion, homeland orientation and boundary maintenance and the distinctive wider networked habitus. - based in London and Southeast England. It explores the dynamics of these characteristics through the networking capacity and networking intensity of the networked businesses and the impact it has on the growth of their business.

Our analysis shows that there is a positive, strong and significant linkage between international networking and firm performance in SMEs. This major finding has been supported by the results of two more tests which showed that the relationship between network intensity and capacity and firm performance were strong and significant. Learning as a component of international network intensity has a positive and most significant effect on increasing firm performance when compared to network capacity (0.78). The synergy of combined resources as a component of international network resources has a more positive effect (0.78) than information sharing (0.59). However, both synergy and information sharing (as network resources) have a positive and significant impact on firm performance (0.86). International networking activities of firms have a positive effect on firm performance (0.54). The effect of international networking activities of firms on profitability (0.57) is greater than its effect on sales growth (0.49).

Overall these findings resulted in the acceptance of H1. Previous research has noted the effectiveness of cooperation networks on SMEs including economy of scale (Safford, 2004), “as a catalyst for firm innovation capacity” (Lavie, 2006), firm survival and growth (Watson, 2007), network learning (Kraatz, 1998) low production cost and sales growth (O’Doherty, 1998), use of complementary resources (Chetty and Holm, 2000), and synergistic effects (Klerk and Kroom. 2007).

H2 which assumed that there is a relationship between network intensity and firm performance was supported in this study. A positive and significant relationship was found between network learning and firm performance. This finding, however, is inconsistent with previous research carried out by Bonner et al., (2005) who argued that owner-managers of firms do not pay attention to network learning activities of firms. In another study Kenny (2009) found a negative relationship between network learning and international performances. Kale et al., (2000) also discussed that even firms that are more experienced in alliance practices could not learn from their previous experiences. But a study by Floren and Tell (2004) pointed to the significance of networking leaning and the role of trust in enhancing the network activities in groups and cooperative linkages.

The third hypothesis in this study posited a positive relationship between network capacity or resources and firm performance. We found a positive relationship between network resources and firm performance. Therefore H3 was supported. The findings of some empirical studies do not support our findings (Lin and Lawton, 2006; Bergham et al., 2006; Mohannak, 2007). However, other studies have pointed to the role of network resources in acquiring new skills, knowledge and synergy (Hamel, 1991; Kale et al., 2000; Kogut, 2000; Kale and Singh, 2007; Kenny and Fahy, 2011). The findings of this research indicate that the relationship between the synergy of combined resources and firm performance is positive and significant. This finding has been supported by Tolstoy and Agndal (2010). They argued that SMEs limitations in resources make them search for available recourses from partners in their cooperative networks.

The positive outcome resulting from testing all three hypotheses corroborates the original conceptual arguments in this paper. The positive aspects of networking capacity and networking intensity could be manifestations of the ontological approach of the African diaspora (Brubaker (2005; Palmer, 2000). Having an ontological base for establishing relationships across multiple habitus in the African continent and in the UK, demonstrates a capacity for engagement in spatial networks stretching across the African content and in Europe (Svasek, 2008) further supporting the basis of the conceptual shift from “brain drain” to “brain circulation” which enhances the scope of global networking (Filatotchev et al., 2009; Saxenian, 2005). From an entrepreneurial perspective, resource mobilization is the corollary of opportunity development. By tapping resources at their disposal in their multiple habitus and by expanding the sources of innovation our respondent firms demonstrate a capacity to do so and to engage in intense networking. This networking involves the “sharing of capital, creation and expansion of businesses” (Flisi and Murat, 2011), “technical knowledge” (Agrawal et al., 2011), and “expectations of how business should be conducted” (Riddle and Brinkerhoff, 2011). These firms also show higher levels of performance.

## **Concluding Observations and Implications**

Our study shows that the Black Africa diaspora businesses have a measure of pro-activeness in the use of their networking capabilities through their engagement in various types of businesses. Such network based business activity is a key tool for the success of firms in terms of enhanced firm profitability and growth. A brief interview carried out during the study reveals that the business in the country of origin benefits from the profit generated in the UK as their remittances foster investment and expansion abroad African governments can harness diasporas and their remittances as part of their indigenous development activities and formulate policies which help to involve the diaspora by improving the investment environment. The UK government could better understand how different firms' network, how they approach their understanding of global networks, and what resources are best deployed for this purpose. This could help to facilitate international trade and business engagement for both the diaspora and the wider communities especially at a time when there is growing interest in trade and investment opportunities in Africa.

A number of managerial implications can be drawn from this study. First, firms participating in a business network should develop a thorough understanding to the structure of the network because, as the research findings indicate, structural characteristics are relevant to the development of innovative capabilities of the firms. These characteristics vary with different types of networks and in the case of our respondents, the proclivity for developing networking capacity and network intensity based on doing business in multiple habitus, having a homeland orientation, being dispersed in both habitats, and boundary maintenance, appears to have a positive outcome for their businesses. Second, within a business network, firms could facilitate innovation by increasing and diversifying network contacts because network density and multiplicity are likely to be associated with better innovative capabilities. From an information processing point of view, increasing and diversifying network contacts may bring firms with superior access to important ideas and opportunities, resulting in stronger innovative capabilities, and even more so when these sources are spread across multiple environments. Finally, long-term interdependence in business collaborations tends to be a catalyst of innovation, given the positive association between network reciprocity and innovative capabilities of the participating firms. In short, innovative capabilities of firms can be enhanced in a business network characterised by frequent and diversified interactions, as well as collaborative interdependencies among network members across multiple habitats. The study indicates the importance of examining in-depth the roles of "weak ties" and "strong ties" in facilitating innovation of firms participating in business networks in the African diaspora context. Good management practice, especially in the international market, requires smart manipulation of different ties to both consolidate existing contacts and search for new markets.

Future research could explore in-depth and measure the specific uses of different networks in particular sectors across different habitats as part of the brain circulation process within African and other communities. Qualitative studies could help to explain the nature, scope and differences in approaches of varied transnational networks. Policy-oriented studies could account for the extent to which transnational networking could be leveraged with foreign direct investment and other funding mechanisms to boost international trade and business collaboration based on the concept of brain circulation.

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## Figures and Tables

Figure 1: SEM Path Diagram

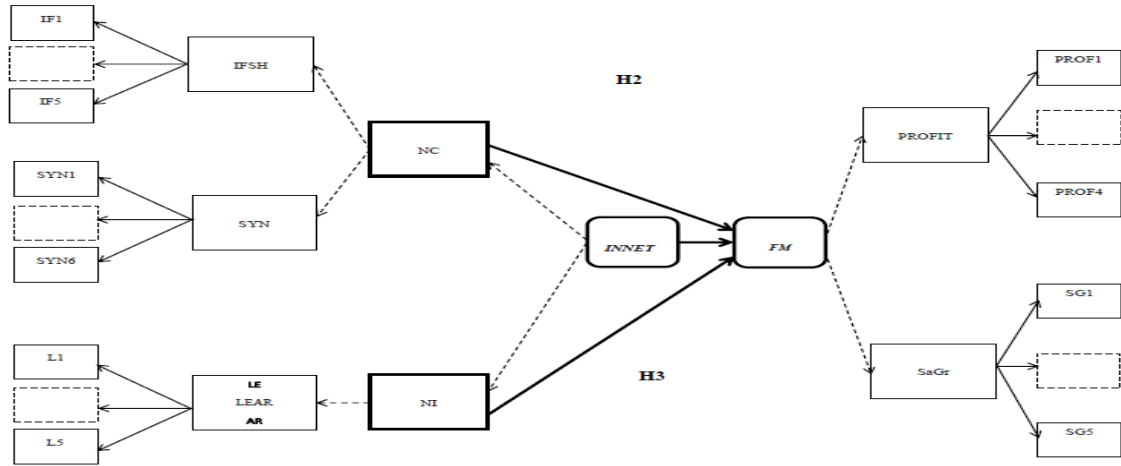
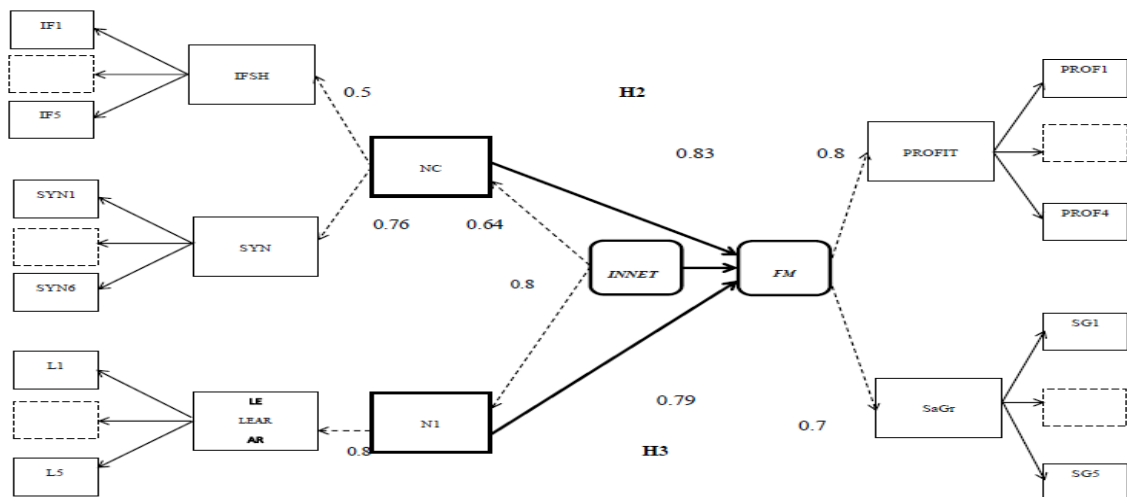


Figure 2: SEM Path Model Results



**Table 1: The Reliability of the Variables in this Research**

Measured item	Cronbach $\alpha$
Network Capacity (Resources)	0.82
Network Intensity (Operation)	0.86
Profitability	0.85
Sales growth	0.89

**Table 2: Measurement of Constructs**

Construct	Measurement	Relevant literature
Learning	Five point Likert scale	Bonner et al ( 2005); Gilmore et., al (2006); Kenny (2009)
Synergy of combined resources	Five point Likert scale	Kale et al., (2000) ; Kenny and Fahy (2011)
Information sharing	Five point Likert scale	Li and Lin (2006); Watson (2007); Tolstoy and Agndal (2010)
Performance	Five point Likert scale	Loxton and Weerawardena(2006);Lu et al.,(2010);Hilmersson and Jansson, (2011)

**Table 3: Respondents' Demographic Characteristics**

<b>Variables</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Variables</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>				<b>Highest Educational Qualification</b>			
	51-60	84	12.92%		Postgraduate (Master's & PhD)	117	18.00%
	41-50	273	42.00%		BSc/HND	205	31.54%
	31-40	154	23.70%		Diploma	58	8.92%
	Below 30	139	21.38%		Vocational	29	4.47%
	Total	650	100.00%		High School	89	13.69%
<b>Gender</b>					Professional qualification	152	23.38%
	Male	347	53.38%		Total	650	100.00%
	Female	303	46.62%				
	Total	650	100.00%				
<b>Respondents' Status</b>				<b>Business Category</b>			
	Owners	389	59.85%		Service Firm	417	64.15%
	Managers	214	32.92%		Manufacturing	203	31.23%
	Employees	47	7.23%		R&D Institution	30	4.62%
	Total	650	100.00%		Total	650	100.00%
<b>Business Category</b>				<b>Business Location</b>			
	Service Firm	417	64.15%		Southeast England	137	21.08%
	Manufacturing	203	31.23%		London	513	78.92%
	R&D Institution	30	4.62%		Total	650	100.00%
	Total	650	100.00%	<b>Annual turnover</b>			
					Above £100,000	134	20.62%
<b>Years of operation</b>					£71,000-£100,000	501	77.08%
	Less than 10 years	39	6.00%		Less than £70,000	15	2.30%
	10-20 years	479	73.69%		Total	650	100.00%
	More than 20 years	132	20.31%	<b>Number of employees</b>			
	Total	650	100.00%		Less than 300	93	14.3%
					300-2,000	423	65.08%
					More than 2,000	134	20.62%
					Total	650	100.00%

**Table 4: Factor Analysis Results**

	<b>Construct/Item</b>	<b>Factor Loads</b>	<b>Eigen Values</b>	<b>% Variance Explained</b>	<b>Cronbach's alpha</b>
<b>Factor 1</b>	<b>Firm's Networking knowledge and Experience</b>		4.735	64.758	.853
	Networking knowledge and commitment	.981			
	Global knowledge of network orientation and operations	.872			
	Network propensity	.752			
	Network intensity	.831			
<b>Factor 2</b>	<b>Firm Characteristics</b>			<b>65.333</b>	<b>.913</b>
<b>Factor 2.1</b>	<b>Firm network commitment</b>		<b>2.510</b>	<b>38.428</b>	
	Research activities in new markets	.825			
	Regular visits to the new markets	.822			
	Strategic planning of the network activities	.811			
<b>Factor 2.2</b>	<b>Firm experience</b>		<b>1.231</b>	<b>26.905</b>	
	Firm size	.898			.715
	Firm network experience	.880			.758
<b>Factor 3</b>	<b>Satisfaction with financial performance</b>			<b>67.654</b>	
<b>Factor 3.1</b>	<b>Satisfaction with network performance and market position</b>		<b>5.518</b>	<b>40.856</b>	.798
	Total market share in new geographical markets	.853			
	Market share in the main markets	.739			
	Results in main markets compared to the main competitor	.821			
	Growth of the market share in new geographical markets sales in total	.649			
	Growth of the sales in new geographical markets	.882			
	Achievement of network objectives	.709			
<b>Factor 3.2</b>	<b>Satisfaction with sales growth and new market entry</b>		<b>1.301</b>	<b>26.798</b>	<b>.853</b>
	Sales growth of the main product/services in new markets	.753			
	Sales growth of the main product/service in the Main markets	.828			
	Profitability of the new geographical activities	.939			
	Expansion to new geographical markets	.721			

**Source:** Authors' Computation

**Table 5: Descriptive Statistics and Correlations**

Variable	Mean	Standard deviation	1	2	3	4	5	6	7	8	9	10
1. Firm's Networking Knowledge and Experience	13.86	5.23	<b>.67</b>									
2. Firms' Characteristics	1.99	0.45	.203*	<b>.43</b>								
3. Firm's Networking Commitment	4.98	0.24	.032	.297*	<b>.40</b>							
4. Firm experience	57.47	1.95	1.72*	.092	.063	<b>.32</b>						
5. Firm Size	4.72	2.01	1.98*	-.038	-.086	.203	<b>.38</b>					
6. Satisfaction with Financial Performance	2.08	0.00	0.08	.109	.269*	.113	-.241	<b>.31</b>				
7. Satisfaction with Network Performance and Market Position	1.39	.00	0.08	.003	.087	.182*	.173*	-.062	.085	<b>.28</b>		
8. Satisfaction With export Profitability and New Market Entry	4.87	1.35	0.58	.047	.038	.062	-.083	.079	.106	.173*	<b>.39</b>	

\*\* Correlation is significant at the 0.01 level (2-tailed). \* Correlation is significant at the 0.05 level  
 Note: The boldface figures represent the square root of the AVE figures. They should be higher than the correlation figures.

Source: Authors' Computation

**Table 6: The Results of Bartlett and KMO tests**

Test		Value
KMO		0.80
Bartlett Test of Sphericity	Chi-Square	1528.73
	Df	300
	Sig.	0.000

Source: Survey data

**Table 7: Factor Loadings**

<b>Information Networking</b>	<b>Factor L.</b>	<b>Performance</b>	<b>Factor L.</b>
<b>Information sharing</b>		<b>Profitability</b>	
IFSH1	0.79	Prof1	0.81
IFSH2	0.73	Prof2	0.86
IFSH3	0.74	Prof3	0.84
IFSH4	0.83	Prof4	0.84
IFSH5	0.81	Prof5	0.82
IFSH6	0.84	<b>Sales growth</b>	
<b>Synergy</b>		SG1	0.79
SYD1		SG2	0.71
SYD2	0.85	SG3	0.77
SYD3	0.82	SG4	0.82
SYD4	0.71	SG5	0.83
SYD5	0.79	SG6	0.81
SYD6	0.81		
SYD7	0.83		
<b>Learning</b>			
L1	0.74		
L2	0.79		
L3	0.77		
L4	0.86		
L5	0.89		
L6	0.85		

**Table 8: The Results of SEM analysis**

<b>Hypotheses</b>	<b>Path coefficient</b>	<b>C.R.</b>	<b>p Value</b>	<b>Test results</b>
<b>H1: INNET→FP</b>	0.59	8.95	***	Accepted
<b>H2: NI→FP</b>	0.86	9.44	***	Accepted
<b>H3: NC→FP</b>	0.78	8.76	***	Accepted
<b>INNET→IFSH</b>	0.58	*		
<b>INNET→SYN</b>	0.78	3.96	***	
<b>INNET→LEAR</b>	0.85	3.91	***	
<b>FP→PROF</b>	0.81	*		
<b>FP→SG</b>	0.79	3.36	***	

\*: the item value compared by other items is assign as 1. \*\*\*: The probability of getting the C.R. is less than 0.001. INNET: International Networking, FP: Firm Performance, NC: Network Capacity, NI: Networking Intensity, IFSH: Information Sharing, SYN: Synergy, LEAR: Learning, PROF: profitability, SG: Sales Growth.



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