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Brokering: Africa's Unique Brand of Entrepreneurship

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Introduction

The aim of this chapter is to shed light on another form of entrepreneurship that has existed in practice over decades but has attracted little scholarly attention. The concept of entrepreneurship since its inception has largely been discussed in literature in a manner that connotes that only one form of entrepreneurship permeates business activities around the globe, notwithstanding the varied countries and cultures that dot the globe. The tremendous effort of entrepreneurs in powering economic growth in both developing and developed contexts is phenomenal (Albulescu et al. 2016; Cullen and Gordon 2007). Meanwhile, on one hand, the underlying understanding of entrepreneurship from literature is one that obligates the entrepreneur to be involved in some form of business activity. Thus the Schumpeterian school of thought describes an entrepreneur from the imposition of creativity on new production processes (Chiles et al. 2007).

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On the other hand, Kirznerian school of thought is of the view that entrepreneurship emerged from the alertness of new possibilities and believes that the entrepreneur seizes the imbalance and opportunities in the marketplace or space and exploits them for profit (Roininen and Ylinenpaa 2009; Kirzner 1973, 1996). Other scholars have argued that informal entrepreneurship is considered the dominant economic force in emerging markets (Chelekis and Mudambi 2010).

Leveraging on the Kirznerian school of thought has led to the resurgence of other forms of entrepreneurship such as social entrepreneurship (Najafizada and Cohen 2017; York and Venkataraman 2010; Zahra et al. 2009; Mair and Marti 2006; Dees 1998) which seeks to address complex and persistent economic and social ills, not on the basis of the architecture of their cause but rather to enhance and sustain the wellbeing of the marginalized in society (York and Venkataraman 2010). Another form of entrepreneurship that has responded to the call of Kirznerian school of thought is institutional entrepreneurship which attempts to explain how institutions arise or change (Fligstein 1997; DiMaggio 1998). Policy entrepreneurs also emerge to develop and present a ready package of problems and solutions to policy makers at the right time (Knaggard 2015). These forms of entrepreneurship have come to address the imbalance in the market place that hitherto was neglected by mainstream entrepreneurs. The proliferation of entrepreneurship confirms the argument put forward by Hjorth (2004) that entrepreneurship is a traveling concept, directing how it can be applied in and to varied activities. Acceding to the view of (Hjorth 2004; Kirzner 1996), other scholars have postulated that entrepreneurship can emerge from different levels and different ways (Anderson et al. 2012; Diochon and Anderson 2011).

While the entrepreneurial phenomena aimed at economic and social development have received increased scholarly attention in both developing and developed contexts (Najafizada and Cohen 2017; York and Venkataraman 2010; Zahra et al. 2009; Mair and Marti 2006), entrepreneurship as a process to foster connections between two parties has received sparse attention in academia. The act of connecting two parties using an informal network of ties is termed as brokering (Lomas 2007). These practices used by most individuals, which although have some of the trappings

of conventional entrepreneurship, however, do not necessarily require the entrepreneur to either own or be involved in the operations of a business. For instance, Lomas (2007) asserts that the German synthetic dye industry was connected to academic partners in the 1800s through brokering which was based on an informal network of ties. Rogers (2003) argues that, in the USA, “country agents” were used to diffuse innovation to farmers. The act of the country agents in the context of Rogers was regarded as brokering.

Previous research in an attempt to understand the concept of brokering have focused on language and linguistic brokering (Kam et al. 2017; Eksner and Orellana 2012; Bauer 2012), knowledge brokering (Ward et al. 2009), literacy brokering (Perry 2009; Orellana and Reynolds 2008; Love and Buriel 2007) and brokering networks (Stea et al. 2016). All these studies were silent in operationalizing brokering as a form of entrepreneurship and also majority of the studies were conducted in the developed context with scant attention to the developing context. These have resulted in paucity of literature in this subject area which therefore calls for scholarly attention in this regard. Existing activities on brokering entrepreneurs from the African perspective specifically Ghana are based on anecdotal evidence encouraging the application of different models in achieving success.

While the view of brokering entrepreneurship put forward in this chapter is far from complete, the authors envisage it as an important first step to enhance our understanding of the phenomenon and facilitate future research.

The chapter is organized as follows: First, we examine the meaning of the terms “brokering” and “entrepreneurship” which constitute the relevance of the phenomenon under discussion. The authors offer a working definition of brokering entrepreneurship and elaborate on its distinctive characteristics. On the basis of clarity, the authors extend to explain the line between brokering entrepreneurship and corruption. In the next step, the authors looked at the theoretical underpinnings of the study. In other words the authors looked at how the structural holes theory may contribute to the understanding of brokering entrepreneurship. The study concludes with some pertinent areas for future research that could define the way forward in the brokering entrepreneurship arena.

Defining and Understanding Brokering Entrepreneurship

The Emergence of Brokering Entrepreneurship

The concept of brokering entrepreneurship is a new phenomenon, but its practice has existed for over decades. This is as a result of the fact that brokers have existed every day in our economic life where buying and selling or renting a house or offices exists (Benassi and DiMinin). However from the academic perspective, there is a more muted reception to brokering entrepreneurship. The concept of brokering entrepreneurship can be well explained by looking at fundamentally the two key words that constitute the concept, “brokering” and “entrepreneurship.” The term brokering might mean different things to different people (Ward et al. 2009; Farmer 2000). As a result this study first explains who a broker is and further explains the substantive term “brokering.”

With reference to the Oxford English Dictionary, brokers are middlemen, agents or intermediaries who serve as negotiators, interpreters, messengers or commissioners between different merchants and individuals (Ward et al. 2009). These people do not act with a skewed motive of favouring one party in the equation but traditionally act as a go-between serving the needs of both parties (Ward et al. 2009). Farmer (2000), in a study dubbed “Literacy Brokering: An Expanded Scope of Practice for SLPs,” views brokers as “professionals who have developed usable knowledge and skills in areas of clinical services delivering” such as social workers or speech and language-learning disorders. Contrary to the view of Farmer (2000) who regards brokers as professionals, other scholars argue that brokering often occurs on a very informal basis in family and community settings taking advantage of the informal network of ties (Lomas 2007). Mazak (2006) cited an example that majority of people are given titles as brokers in Puerto Rico and that they may not necessarily possess special knowledge, skills or institutional connections in comparison with the person seeking help. Researches have shown that the merit of being a broker is premised on institutional, geographical, cultural and temporal contingencies (Vasudeva et al. 2013; Xiao and Tsui 2007; Burt et al. 2000).

The term “entrepreneurship” has been understood as prioritizing the nexus of enterprising individuals who capitalize on lucrative opportunities while focusing narrowly on the generations of financial returns and relegating the social structure, context and the remarkable heterogeneity of human desires (Baker and Welter 2017; Shane and Venkataraman 2000). Even though these entrepreneurs have varied reasons for their establishment, the most common among their intentions are to provide job opportunities for others, sustain the competitiveness of firms and whole economies and drive growth and innovation (Baker and Welter 2017).

Blending the two terms “brokering” and “entrepreneurship” to make up brokering entrepreneurship, this chapter sets out to elucidate the meaning of brokering entrepreneurship in order to facilitate further research in this area. Taking inspiration from established research in the area of brokering and entrepreneurship, we propose a working definition of the concept. We view brokering entrepreneurship as “a process where an individual with little or no knowledge or real experience to guide the implementation of a project, leverages on political, social, religious and family connections with the highest authority to act as a broker. Then on securing the contract outsources it to an established contractor with the requisite skills to execute the project, and negotiate some percentage of the total amount of the contract to himself/herself in the process.” In simple terms, these individuals take advantage of their relational connections with one party to bridge the gap between two business parties who hitherto might not know each other or the existence of one another. Anecdotally, these business practices are dominant in the developing country context for which the Ghanaian context is no exception.

The working definition proposed in this chapter is based on certain assumptions. First, we regard brokering entrepreneurship as a process of creating value by taking advantage of the relational ties. Second, the broker should not be the one to execute or implement the contract because he/she might not have knowledge in the field of the project. Third, the business partners involved should not have prior knowledge about each other; thus there should be the presence of structural holes. Fourth, the intention of the broker as a go-between is to enjoy some percentage of the contract sum.

However, it appears that the perception of most people regarding brokering entrepreneurial activities is a packaged way of corrupt practices. In order to settle on the clarification, this chapter proceeds in the next section to elaborate on the differences that exist between brokering entrepreneurship and corruption.

Brokering Entrepreneurship and Bribery and Corruption

It must be noted that business contracts are awarded through various forms, some of which are competitive tendering and sole sourcing. In the brokering entrepreneurship arena, businesses are given on the bases of rational ties (Borgatti and Halgin 2011). Other scholars have argued that brokering serves as a catalyst that connects actors in order to expedite the access to varied resources, knowledge and information flow across gaps in the social structure (Sgourev 2015; Stovel and Shaw 2012).

Bribery and corruption on the other hand are the “abuse of public office for private gain,” where the private gain may accrue either to the individual official or to groups or parties to which he/she belongs (Treisman 2007; Bardhan 1997). The quintessential corrupt transaction envisioned is the gift of a bribe by a private citizen to the public official in return for some services that the official should either provide for free or not provide at all (ibid).

The differences that existed between these two concepts are that, in terms of the brokering entrepreneurship, the broker acts as a go-between to bridge structural holes that exist between actors based on the relational ties rather than on the bases of financial commitment to induce the other party to consent to a transaction as it is characterized in the case of bribery and corruption. The relational ties were not built with the intention to influence business dealings because these relational ties pre-exist business dealings. Meanwhile, for corrupt practices, gifts are given with the intention to get something in return for some services that the official should either provide for free or not provide at all. The brokering entrepreneur may or may not have an office and can only make some money when the contracts he/she gets through their connection are approved and they

make sure that the contracts are executed as agreed upon because their reputation is at stake. For further clarification in the brokering entrepreneurship arena, the next section establishes a case from the Ghanaian perspective to illustrate how brokering entrepreneurs operate.

Brokering Entrepreneurship from the Ghanaian Perspective

The study investigates a group of operators in Ghana, whose business defies the conventional notion of business in that they use networks/connections/relational ties, contacts or patronage to secure huge contracts—such as road construction—that they necessarily have no expertise nor working knowledge towards their implementation. The relational ties to high office holders become the defining reason for securing the contract as opposed to the principles of meritocracy. Thus a unique arrangement is established, whereby notwithstanding the fact that the road construction firm is a legitimate business entity (by regulations and requirements), it relies on the broker for projects to sustain its operations, as a result of lack of access to contacts, who have the ultimate say in assigning contracts.

Furthermore, unlike the road construction firm, whose expertise may be solely confined to road construction, the broker's contract securing ability on its part transcends road construction. As a result of the sweeping access that the broker has to the "centres of power," this person may secure contracts in diverse areas such as building schools and markets, procuring equipments, establishing school feeding projects and outsourcing to establish businesses in the respective fields of implementation.

Thus relationship rather than working capital underpins the operation of the broker, which makes it unique as opposed to the conventional entrepreneur who might need tangible working capital in the form of cash, loan from friends and family, credit facility from suppliers of goods or some sort of seed fund before the commencement of business. The discourse between this unique activity and the conventional notion of entrepreneurship makes it imperative to find a fitting label that describes this emerging form of Ghanaian entrepreneurship, thus aiding our understanding of its *modus operandi*. This study thus refers to this form of

activity as brokering entrepreneurship. Veering from the operations of brokering entrepreneurs in the Ghanaian context, it would be appropriate to delineate the distinctive features of brokering entrepreneurship which is tackled in the next step.

Distinctive Characteristics of Brokering Entrepreneurship

Scholars have argued that the field of conventional entrepreneurship is already fragmented, which makes it difficult to delineate boundaries of the field (Dacin et al. 2011). For instance, these scholars opine that in addition to for-profit new venture creation, which constitutes the core of academic research on entrepreneurship, discussions and debates over plentiful forms of entrepreneurship (e.g., cultural, political, corporate, institutional, social, policy) appear in the literature (Dacin et al. 2011). For them, they do not see the relevance for an introduction of (yet another) type of entrepreneurship and its contribution to theoretical value (Dacin et al. 2011).

However, the business tycoon, Sir Richard Branson noted that “business opportunities are like buses, there is always another one coming” (Madhavan et al. 2008). We can apply this assertion to the study of entrepreneurship and argue that there is equal scope for emerging concepts of the discipline. This study is premised on the Kirznerian school of thought, and the words of the business magnate are a base to justify the need for research in this regard which makes entrepreneurs to be trend trackers and opportunity seekers to identify the imbalance and exploit it to their advantage. As such, there is a need to articulate the unique features of brokering entrepreneurship that differentiate them from other forms of entrepreneurship.

First, brokering entrepreneurs perform structural roles within a social network where they act as brokers to connect parties who hitherto were not connected to each other (Spiro et al. 2013). Second, their success is contingent on relational ties; therefore, commitment and trust inherent in the relationship play a pivotal role in the sustainability of their existence (Stovel and Shaw 2012; Burt 2000; Morgan and Hunt 1994).

Some of the relationships or connections could emanate from political connections, religious connections, social status connections, neighbourhood associations and cultural connections or affiliations.

Theoretical Underpinnings

This chapter is premised on the structural holes theory. This theory postulates that individuals are privy to certain positional advantage or disadvantages from how they are embedded in social structures (Burt 2000). The gap that exists between two unknown parties is what is termed as structural hole. Studies have shown that in an environment where structural holes exist, brokering activities play a significant role in business success (Carnovale et al. 2016; Burt 2015). For instance, Burt (2015) argues that if the contacts that exist in a network are widely disconnected, it eventually results in the creation of structural holes.

Applying the structural holes theory to the current study means that there is a huge gap or disconnection among institutions as a result of high rate of information asymmetry and cultural differences between firms (Carnovale et al. 2016; Kogut and Singh 1988). Therefore, the people who connect across the holes are called network brokers, connectors, hubs or entrepreneurs (Burt 2015). This study operationalized these people as “brokering entrepreneurs.” Studies have shown that individuals with access to structural holes receive higher pay as compared to their counterparts who are deficient with access to structural holes (Burt et al. 2013; Burt 2005). Thus the applicability of the structural holes theory in this current study is relevant and timely.

Research Implications

The contributions made by this study to entrepreneurship literature are phenomenal. Firstly, it has introduced a new form of entrepreneurship, “brokering entrepreneurship,” to the scholarly world to enrich existing literature in the entrepreneurship discipline. Secondly, from a practical perspective, individuals who previously could not use their connections

for economic gains will henceforth leverage on their relational ties as revenue sources, which could possibly lead to an explosion in brokering entrepreneurship. Thirdly, the relevance of brokering entrepreneurship could be manifest during the early stage of companies doing business with each other, particularly considering that significant amount of trepidation exists on both sides at this stage, due to little prior relationship.

Conclusions, Limitations and Future Research Directions

The overarching premise guiding this study was that structural holes exist in the business environment that allows individuals who are well networked to exploit these holes through brokering.

It would be premature to generalize the acceptability of brokering entrepreneurship due to context heterogeneity regarding acceptable norms in business practices. For instance, while some might hail this concept as an emerging source of entrepreneurial activity, others might see it as an infringement on the norm of meritocracy in awarding business contract. This difference could be as a result of institutional diversity and polycentricism around the world. Future research could be extended to other geographic settings. The concept of brokering entrepreneurship in the scholarly arena from the developing context is still in its embryonic stage and as a result lacks an empirical underpinning. Future research in this regard should base their findings on data in order to establish an empirical backing in the subject area.

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