

Social networks and access to resources in the development of informal enterprise: life stories of entrepreneurs in Bobo-Dioulasso (Burkina-Faso)

Abstract

This paper carries out an analysis of the formation and transformation of social relations and networks of access to resources in the professional trajectory of micro-entrepreneurs operating in an urban informal economy in Africa. The analysis of social networks is rooted in Granovetter's "structural embeddedness" framework" combined with a dynamic and discursive conception of social relations (White, 1992; Grossetti and Barthe, 2008). The conception of social relations used in this paper entails a consideration of the temporal dimension of embeddedness and its connections with other social mediations, including communities, organizations and formal institutions. Embeddedness is analyzed in conjunction with its opposite – decoupling, i.e. the way in which actors and structures become independent from social relations (White, 1992). In terms of methodology, an analysis is carried out of the life-stories of micro and small entrepreneurs in Bobo-Dioulasso (Burkina-Faso) combining qualitative and quantitative methods (Coviello, 2005; Grossetti and Barthe, 2008). The analysis suggests that the construction of social networks and interpersonal relations of access to resources is a long-term process. Therefore, social networks and interpersonal relations cannot be mobilized easily and rapidly by entrepreneurs. A co-construction of social networks and social activity is observed, undermining the view of social capital as a substitute for a lack of personal resources. The development of small and micro activities is directly linked to the professionalization and stabilization of a social network, and even to the institutionalization of access to resources. This should not be allowed to conceal significant inequalities among entrepreneurs according to their initial social network and the dynamics of their business environment.

Keywords

Embeddedness, social networks, informal economy, life-story analysis, Burkina-Faso

1. Introduction

Defined as an extremely heterogeneous set of activities (craft industry, repair shops, catering, small trading, etc.) partly conducted outside the remit of state regulations, informal economies have undergone rapid growth in developing countries over the last decades (Jünting and Laiglesia, 2009), particularly in African towns, where they represent on average nearly 60 percent of employment (Xaba et al., 2002). An understanding of the socio-economic dynamics structuring these activities is therefore a major objective for researchers and political decision-makers. In a context of failing modern and state institutions in sub-Saharan Africa, social networks and interpersonal relations play a central role in the dynamics of micro and small entrepreneurs (MSE). This is because they enable and facilitate access to a variety of resources, including tangible and intangible resources (information, financial support, customers, social support, etc.). Social networks and interpersonal relations constitute a barrier to entry and an essential determinant of the dynamics and performance of informal economic activities.

The current literature on social networks and MSE in Sub-Saharan Africa is driven by two key issues (Barr, 2002; Knorringa and van Staveren, 2006). The first issue concerns the analysis of interfirm relations at the level of industrial sectors or clusters (McCormick, 1999; Brautigam, 1997; Meagher, 2007). The idea is that interfirm networks, which are embedded in local socio-cultural relations, allow MSE to overcome growth constraints by increased “collective efficiency” (Nadvi and Schmitz, 1994). Yet the industrial sector in Africa remains relatively undeveloped and deficient in terms of interrelations (i.e. examples of industrial clusters or districts are relatively scarce). Some studies have also argued that in a context of economic crisis, increasing competition and state withdrawal, the community-based social institutions which subtend the informal economic organizations of clusters tend to collapse (Meagher, 2006, 2007). Entrepreneurs are thus forced to move towards more personalized networks. While the studies addressing this first issue adopt a broadly mesoeconomic or sectoral approach, the perspective adopted to address the second issue is more distinctly microeconomic and focuses on the social network of access to resources (or social capital) among entrepreneurs and businesses at an individual level. The majority of studies in this area are rooted in New Institutional Economics and conceive social capital as a productive asset that is rationally constructed by entrepreneurs (Durlauf and Fafchamps, 2004; Fafchamps, 2006). Empirical studies carried out for the most part in rural areas have tended to demonstrate that social capital has a positive impact on firms’ economic performance (Fafchamps and Minten, 2002). However, the family component of social capital (“bonding social capital”) appears to be non-productive. Barr (2002) notes that small and micro-entrepreneurs are characterized by “solidarity networks” that have very little impact on economic performance despite their role in reducing income instability.

The majority of studies that have addressed the second issue are invariably underpinned by a static conception of networks. Not unlike research on entrepreneurship in industrialized countries (Hoang and Antoncic, 2003; Slotte-Cock and Coviello, 2010), very few studies in the field have explored the dynamics of networks and businesses. Three main perspectives have developed in the literature as a way of remedying this deficiency. The first perspective is rooted in social-capitalist approaches and, following Jackson and Wolinsky (1996), is based on a quantitative economic analysis of the endogenous formation of networks. These studies focus particularly on the formation of risk-sharing networks in rural communities (Dekker, 2004; Fafchamps and Gubert, 2007). The second perspective is based on longitudinal quantitative studies of ego-centred networks. In demographic and health research, longitudinal socio-demographic studies have been carried out in Kenya and Malawi, and have included a focus on “personal networks of informal conversations” to address issues concerning family planning and HIV-AIDS (White and Watkins, 2000; Bignami-Van Assche, 2005). In addition to contributing to methodological issues that pertain to data collection concerning social networks, these studies also enable an analysis of the stability or transformation of personal networks over time. Finally, a third perspective focuses on the mobilization of qualitative methods such as observation, semi-directed interviews, case studies, etc. Irrespective of the theoretical framework or geographical area of research, there is a relatively wide consensus in favour of qualitative investigations into social networks or in favour of approaches that combine qualitative and quantitative methods to enable deeper analyses of the complexity, dynamics and contingency of social relations (Hoang and Antoncic, 2003; Durlauf and Fafchamps, 2004, Slotte-Cock and Coviello, 2010). Some studies have also argued that qualitative approaches have the benefit of specifying the impact of social networks on the entrepreneurial process and, conversely, the impact of the entrepreneurial process on the formation of social networks (Hoang and Antoncic, 2003; Coviello, 2005; Jack, 2010).

This is precisely the approach adopted in the present study, which carries out an analysis of the evolution or transformation of social networks and social relations of access to resources in the professional trajectory of micro-entrepreneurs in the informal economy of Bobo-Dioulasso (the second largest city in Burkina Faso). In conceptual terms, this research is premised on Granovetter's notion of structural or reticular embeddedness (Granovetter, 1985) combined with a qualitative or "discursive" approach to social networks (White, 1992; Mische and White, 1998; Knox et al., 2006). While structural embeddedness emphasizes that economic activity is shaped by the social relations in which actors are embedded, a qualitative approach serves to avoid the risk of temporal and relational reductionism. The issues raised by this first point include the following questions: how are social networks and relations formed? What role do they perform as "social barriers to entry", and how do they (co-)evolve in line with economic activity? The second point pertains to the articulation over time of interpersonal relations and collective and/or organized social forms, or, to use the terminology coined by White (1992), the dynamics of embeddedness and decoupling. The purpose of the method used in this paper is to understand the dynamics of networks over time, combining a qualitative approach to data collection with a "bifocal approach" (Coviello, 2005) to data analysis (i.e. both quantitative and qualitative approaches). Interviews structured around the life-story method and inspired by the case studies approach (Grossetti and Barthe, 2008) were carried out with 14 entrepreneurs operating in the informal economy of Bobo-Dioulasso. Analysis of interviews was carried out using three complementary methods, privileging a mixture of qualitative and quantitative methods (Coviello, 2005; Grossetti and Barthe, 2008): (i) a quantitative statistical analysis based on the identification and coding of sequences of access to resources by mobilizing a relation or collective entity; (ii) the construction and analysis of network diagrams elaborated by representing the structure and composition of the network at critical moments of the entrepreneurial trajectory in a schematic figure; (iii) a comprehensive and comparative analysis of interviews (Mucchielli, 2005).

The following pages begin with a brief definition of the conceptual framework used in this research, focusing particularly on the benefits of a qualitative approach to social networks in the context of structural embeddedness (2). An outline of the contextual and methodological framework (3) is followed by a quantitative and illustrative analysis of the life stories of entrepreneurs (4). A deeper analysis of the articulation between social relations and access to resources (5) is developed before some concluding remarks (6.).

2. Conceptual framework: reticular embeddedness and the qualitative approach to social networks

Many criticisms have already been levelled against the neo-institutionalist perspective which conceives social relations as the result of the rational choices and strategies displayed by agents anticipating future profits (Granovetter, 1985, 1992; Fine, 2001; Meagher, 2005; Knorringa et van Staveren, 2006). In this view, 'social capital' is often construed as a stock (i.e. the number of contacts), and very little information concerning the multi-dimensional nature of social relations is available. Another weakness of this conception refers to the potential contingencies and constraints of the wider social context in the formation of relations. The reticular embeddedness framework devised by Granovetter (1985, 1992) within the New Economic Sociology provides an alternative for analyzing social relations and the intended or unintended effects of such relations on economic activity.

In Granovetter (1985, 1992), the notion of embeddedness implies that economic behaviour and economic actions are socially constructed by the ongoing network of social relations in

which actors are inserted. Networks are defined as regular sets of social relations between individuals or groups of individuals. Two different aspects of embeddedness are addressed: the relational aspect, centred on dyadic personal relations, and the structural aspect, centred on the general structure of the network of these relations. This perspective differs from the neo-institutionalist approach to the extent that it assumes that actors cannot choose their personal relations for a given objective actively, rationally and without consequence. Social relations are also a by-product of sociability. Such “enriched individualism” (Knox et al., 2006) in no way prevents a quantitative approach to social relations, particularly in cases where embeddedness is combined with an analysis of “personal networks” or “ego-centred” networks (2007)¹. But it does not allow for a consideration of the temporal and dynamic dimension of embeddedness. Granovetter emphasizes the temporal and dynamic dimension of embeddedness in warning against ‘temporal reductionism’, which involves “*treating relations and the structure of such relations as if they had no history shaping their current situation*” (Granovetter, 1992: 34). Structural embeddedness is also criticized for involving another form of reductionism known as ‘relational’ reductionism (Zuckin and DiMaggio, 1990; Barber, 1995). An excessive focus on social relations may result in overlooking wider social structures and institutions, particularly ‘social circles’ (organization, group, family, etc.)², which also shape actors and their relations. The thesis elaborated by White (1992) in addressing embeddedness and decoupling provides a synthesis of these two criticisms. While embeddedness involves the idea of a dependence on an action in relation to another form of social relation (not least the network of social relations), decoupling is defined by White as “[...] the opposite of embeddedness” (1992: 32) and implies the autonomization of a social form in relation to another social form (before it is embedded at another level of action). When a community is formed as a result of interactions between actors and subsequently generates an association defining rules that ensure its independence from the component interpersonal relations, it is decoupled from it (the association may then become embedded in a network of associations at a higher level of action). Every action, and every interaction, is thus embedded in a social network, but it may also simultaneously contribute to the structuring, autonomization and institutionalization of a collective action at a meso or macro-social level.

White’s thesis is part of a broader theory which, according to Knox et al. (2006: 130), introduces a ‘discursive and cultural’ approach in the analysis of social networks, according to which “*discourse is the stuff of social networks*” (Mische and White, 1998: 695). To simplify, White argues that “*a relation is interpreted through stories, not only by those who participate in it but also by observers*” (White, 2007: 2). A story plays a role in the constitution of a relation by producing a kind of narrative objectivation of a particular aspect of the relation³. “*It is through stories that interactions extend beyond their instantaneous*

¹ Compared with the linear measurements of stock of social capital commonly found in the literature, this approach produces useful indicators concerning personal networks’ configuration, highlighting their structure and composition and capable of being related to actors’ economic performance. An application of this approach to urban informal entrepreneurship in Africa is provided in Berrou and Combarous (2009).

² The phrase was originally used by Simmel and taken up more recently by Degenne and Forsé (2004). While a social circle can always be interpreted as a network, the reverse is not true. A circle differs from a network by virtue of a collective consciousness, borders or frontiers, a name, a culture, and a specific set of norms and institutions which, though fluid and permanently redefined, are though nonetheless real. By contrast, in a social network, members do not necessarily share a common contour or common criteria underlying a sense of belonging, nor indeed a common sense of membership.

³ Broadly defined, the concept of story ranges “*from the simple sentence overheard in the school playground to clever excuses and ordinary accounts of daily life, as well as the obscure ramifications of office rumours*” (White, 2007: 2).

nature to become temporally embedded in the form of relations and to have durable effects” (Grossetti and Godart, 2007: 4). To this extent White’s approach shares much common ground with the ‘narrative positivism’ elaborated by Andrew Abbott (2001). The theoretical framework elaborated by White provides theoretical foundations for justifying a specific methodological focus on qualitative approaches, particularly narrative approaches to social relations. Because of their illustrative and contextual approach, qualitative analyses enable a decoding of economic behaviours and actions (from the specific to the general) inasmuch as these are embedded in a particular social, cultural, political and historical environment (Gondard-Delcroix, 2006). Such analyses are founded on data production tools that emphasize “*non-directivity over substance*” (direct observation, open or semi-directed interviews) (Mucchielli, 1996: 183). This study uses a narrative qualitative method based on reconstituted case stories of entrepreneurs’ professional trajectories in the informal economy of Bobo-Dioulasso.

It is important to note that while some qualitative research has already been carried out on the role of social networks in entrepreneurial dynamics and survival strategies in Africa, these studies have tended primarily to explore the following issues: the diversity of modes of regulation of relations (social norms and institutions), power relations in networks and the reproduction of inequalities, the emergence of trust, and the impact of the socio-cultural environment on the nature of personal networks (Lourenço-Lindell, 2002; Lyon, 2000; Kristiansen, 2004; Cleaver, 2005). Though providing a comprehensive analysis of social relations, previous research has shown little interest in the dynamics of social relations in the trajectory of actors or of their activity. One notable exception is Lyons and Snoxell (2005) on the development and adaptability of social relations of traders in a context of increasing urbanization in Nairobi. The main conclusion of the research carried out by Lyons and Snoxell is that while traders initially mobilize inherited social relations (particularly family relations), the subsequent development of their activity is highly conducive to the formation of new relations, particularly on market places.

3. Methodological framework: life stories of entrepreneurs in Bobo-Dioulasso

3.1. Bobo-Dioulasso and the group of interviewed entrepreneurs

Burkina Faso, a Sub-Saharan country situated in the heart of West Africa, is among the poorest countries on the African continent. Despite strong economic growth since the 1990s, 46.4% of Burkina Faso’s population (and 19.9% of the urban population) lived below the national poverty line in 2003 (INSD, 2003). As a result of this problem, Burkina Faso’s informal economy has become the chief source of employment and revenue for urban populations. The importance of the informal sector in Burkina Faso reflects regional trends and accounts for more than 70% of urban employment (Brillaud et al., 2004). In Bobo-Dioulasso, the second largest city in Burkina Faso, the informal economy represents the first source of employment (68.2% of employment) and also represents 49.5% of the local wealth (gross local product) (Fauré et Soulama, 2000).

The qualitative survey carried out as part of this research was the final stage of a wider survey begun in 2006, followed in 2007 by a quantitative survey of entrepreneurs’ economic activities and personal networks (names generator approach)⁴. A sample of over 300 informal businesses was selected for their representativeness on the basis of the most recent

⁴ For a more detailed outline of the sampling and survey method, see Berrou and Combarous (2009).

comprehensive survey of all activities in the city (Fauré et Soulama, 2000). In 2008, a detailed interview was carried out with 14 of the 300 entrepreneurs. The interviewed businesses were chosen in such a way as to illustrate the wide variety of branches and the dynamism of informal activities. Four of the 14 interviewed businesses were involved in the production sector (tailor-dressmaker, wood and metal joinery), while the remaining 10 businesses were involved in the trade sector (food products, clothes, and audio-video equipment) and services (catering, motorbike and bicycle repairs, laundry, printing). Nine of the businesses were located in the historic centre of Bobo-Dioulasso. Half of the businesses had been trading for less than five years, while just three had been trading for over ten years. The group of entrepreneurs studied in this research is sufficiently representative in demographic terms (particularly in terms of age and ethnic origin), even if just two women were interviewed in the course of this research.

3.2. Adapting the 'case stories' method

The 'case stories method' uses interviews based on biographical data, life stories or narrative interviews (Grossetti and Barthe, 2008). The entrepreneurs interviewed in this research provided an account of their professional trajectories. The history of their businesses is embedded in these narratives. Follow-up questions concerning levels of access to external resources were used in the interviews to determine specific conditions of access (social relations or collective mechanisms, the nature of such mediations, etc.). The life stories were subsequently reconstructed and transcribed by the researcher. This method has the advantage of helping to understand and to analyze the mobilization of relations, or other forms of mediations, in the process of accessing resources in the professional and entrepreneurial trajectory of businesses. Contrary to the original method, the use of double interviews (triangulation) was not deemed to be relevant since informal activities are largely the result of individual experiences starting with entry into professional life and culminating with an independent or managerial role. Checking the transcribed stories with the respondents was difficult in view of the specific nature of the surveyed sample population and the costs of accessing the area.

4. Quantitative and illustrative analysis of life stories

The analysis of interviews was based first of all on a quantitative statistical approach aimed specifically at understanding the articulation between relations and access to resources, and above all at examining the evolution of relations and access to resources in entrepreneurial trajectories. Secondly, the use of diagrams serves to crystallize the structure of personal networks at critical moments of entrepreneurial activity.

4.1. Social relations and access to resources in entrepreneurial trajectories

The advantage of qualitative research is that it can be analyzed and interpreted in both qualitative and quantitative terms (Coviello, 2005). In this particular case, it was deemed particularly worthwhile to quantify the social relations and resources mobilized throughout the entrepreneurial trajectory, as well as their chief characteristics. The method used for this purpose involved an identification of sequences of access to external resources by the mobilization of a relation or collective entity, followed by a coding of the resource and of the mechanism underlying the acquisition of the resource. Approximately 300 relation-resource sets were coded, producing a relatively large sample that could be used for the purposes of a quantitative analysis. The stability or evolution of the mechanisms of access to resources was established by means of a joint analysis of the mode of acquisition of resources, the type of

Table 1: Mode of access to resources according to the time of mobilization (%)*

Moment of acquisition of the resource	Mode of acquisition of the resource (%)			Total
	Personal social relation	Diffuse social relations	Collective entity	
<i>Before the creation of the business activity</i>	88,8 (+)	5,2	6,0	38,7
<i>At the start of the business activity</i>	82,4	12,2	5,4	24,7
<i>After the creation of the business activity</i>	76,4 (-)	8,2	15,5 (+)	36,7
Total (N=300 resources)	82,7	8,0	9,3	100

Note: (*) The grey cells represent the significantly higher (+) or lower (-) percentages (5% significance based on the adjusted standardized residuals (Chi2)). For example, in this case, 88.8% of the resources mobilized before the creation of the business activity are mobilized through personal relations and the level of attraction between the two modes is significantly positive.

resource and the kind of social relations mobilized at the moment of acquisition. Table 1 combines the mode and period of access to resources (before, during and after the creation of the business activity)⁵. Resources may be acquired through personal social relations and diffuse social relations, or by means of a collective (formal or informal) entity⁶. Table 1 highlights the particular significance of personal relations, indicating that over 80% of resources are acquired through personal relations. In temporal terms, it appears that personal relations are more frequent in the period leading up to the creation of the business activity. In the period following the creation of a business activity, personal relations tend to be relatively less frequent and the use of collective entities increases significantly (nearly tripling), which suggests a process of decoupling or depersonalization of access to resources in the dynamics of activities (probably with markedly different situations in different entrepreneurs). A third significant result concerns the relatively low level of external resources mobilized at the start of the business activity. This result suggests a period of intense accumulation before the creation of the business activity, with a significant mobilization of the social network. Such relations enable entrepreneurs to acquire the necessary resources before setting up their business and are therefore not apparent at the moment of creating the activity. This may account for the significance of owners' saving in funding the starting capital in the informal sector (Lootvoet and Oudin, 1995; Fauré and Labazée, 2000).

The temporal dimension also generates fruitful results when it is applied to the specific type of resource (table 2). On average, the main resources in all trajectories of activity include financial support, advice and access to customers, which represent critical resources for a healthy development of business activities. However, the significance of their role differs at different moments in the entrepreneurial trajectory. Before the creation of a business activity, the three types of resources that are statistically most likely to be obtained via personal networks are advice, access to work and personal accommodation. At the time of the creation of the business activity, this includes physical capital (machines, workshops, shop premises) and labour (essentially recruitment of employees, family support and apprentices). Customers

⁵ Two conditions governed the determination of the beginning of the set-up period: (i) the entrepreneur explicitly states a desire to set up a business activity; (ii) the entrepreneur provides an account of the accumulation of additional resources acquired to create, set up and launch a business activity. The set-up period ends when the complexities of setting up a business are overcome and the business activity becomes more stable. The length of the set-up period may vary, although it tends to last approximately four years.

⁶ So-called "diffuse social relations" entail the mobilization of "massive" social relations and do not appear to involve any particular form of personal interaction (for instance in the case of access to information as a result of word of mouth). Collective entities may be either informal (family circles, tontines) or formal (organizations, associations and institutions).

Table 2: Types of resources mobilized according to the moment of acquisition (%)*

Moment of acquisition of the resource	Type of mobilized resources (%)												Total
	Advice, information, moral support	Expertise, skills	Mediation (conflicts)	Work, employment and apprenticeship	Financial support (crises)	Funding of business activity	Private accommodation	Physical capital (machines, premises)	Customers and markets	Suppliers, goods and raw material	Cooperation and partnerships	Recruitment (employees, apprentices, etc.)	
Before the creation of the business activity	20,7 (+)	9,5 (+)	5,2	17,2 (+)	13,8	5,2 (-)	14,7 (+)	0,9 (-)	4,3 (-)	7,8	0,9	0,0	38,7
At the start of the business activity	13,5	2,7	0,0	2,7	1,4 (-)	13,5	1,4 (-)	23,0 (+)	17,6	8,1	4,1	12,2 (+)	24,7
After the creation of the business activity	10,9	1,8	2,7	0,9 (-)	16,4	17,3 (+)	0,9 (-)	4,5	19,1 (+)	10,9	3,6	10,9 (+)	36,7
Total	15,3	5,0	3,0	7,7	11,7	11,7	6,3	7,7	13,0	9,0	2,7	7,0	100,0

Note (*): The grey cells show significantly higher (+) or lower (-) percentages (5% significance on the basis of the adjusted standardized residuals (Chi2). Here for instance, note that 20.7% of the resources mobilized before the creation of the business activity were advice and information, and that the attraction between these two modalities is significantly positive.

Table 3: Type of social relations mobilized according to the moment of acquisition of the resource*

Moment of acquisition of the resource	Type of social relation (%)					Total
	Family	Ethnic or village relatives	Close friend	Neighbourhood acquaintance	Professional relation (friendly)	
Before the creation of the business activity	63,3 (+)	1,8 (-)	9,2	7,3	18,3 (-)	100,0
At the start of the business activity	31,4	5,7	12,9	18,6 (+)	31,4	100,0
After the creation of the business activity	16,1 (-)	16,1 (+)	16,1	8,6	43,0 (+)	100,0
Total	39,0%	7,7%	12,5%	10,7%	30,1%	100,0

Note (*): See tables 1 and 2 above.

also play a key role in terms of absolute value, although their role is even greater after the creation of the business activity. At this stage, entrepreneurs' access to customers and to the financial resources (such as financial support for investment) plays a key role to develop the activity. The evolution of the mobilized resources according to the period of activity suggests a transformation of the needs required to further the development of the activity. The network may then be transformed by the development of the activity while at the same time it should evolve to support the activity. The joint evolution of the network and activity thus appears to be a key element in the understanding of entrepreneurial dynamics.

Finally, observations of the kind of relation mobilized during the period of acquisition indicate a highly pronounced degree of crossover (see table 3). Whereas the role of the family is predominant before the creation of the business activity, professional relations tend to be paramount once the activity is effectively set up – which reflects the fact that the creation of the business activity results in an increased professionalization of the network. But this may also suggest that the professionalization of relations is a necessary condition for the development of informal entrepreneurship. The fact that the family is a key factor at the beginning of the trajectory confirms the results concerning the role of family relations in securing a first job (entry into professional life, particularly through apprenticeships) and accommodation, especially for rural migrants (Antoine et al., 1995; Lyons and Snoxell, 2005). The importance of family relations decreases significantly during and above all after the creation of the business activity. Yet the role of the extended family also becomes more significant. Finally, the relative weight of weak relations (acquaintances, neighbours) at the creation of the business activity can be explained by their role in securing business premises (starting capital).

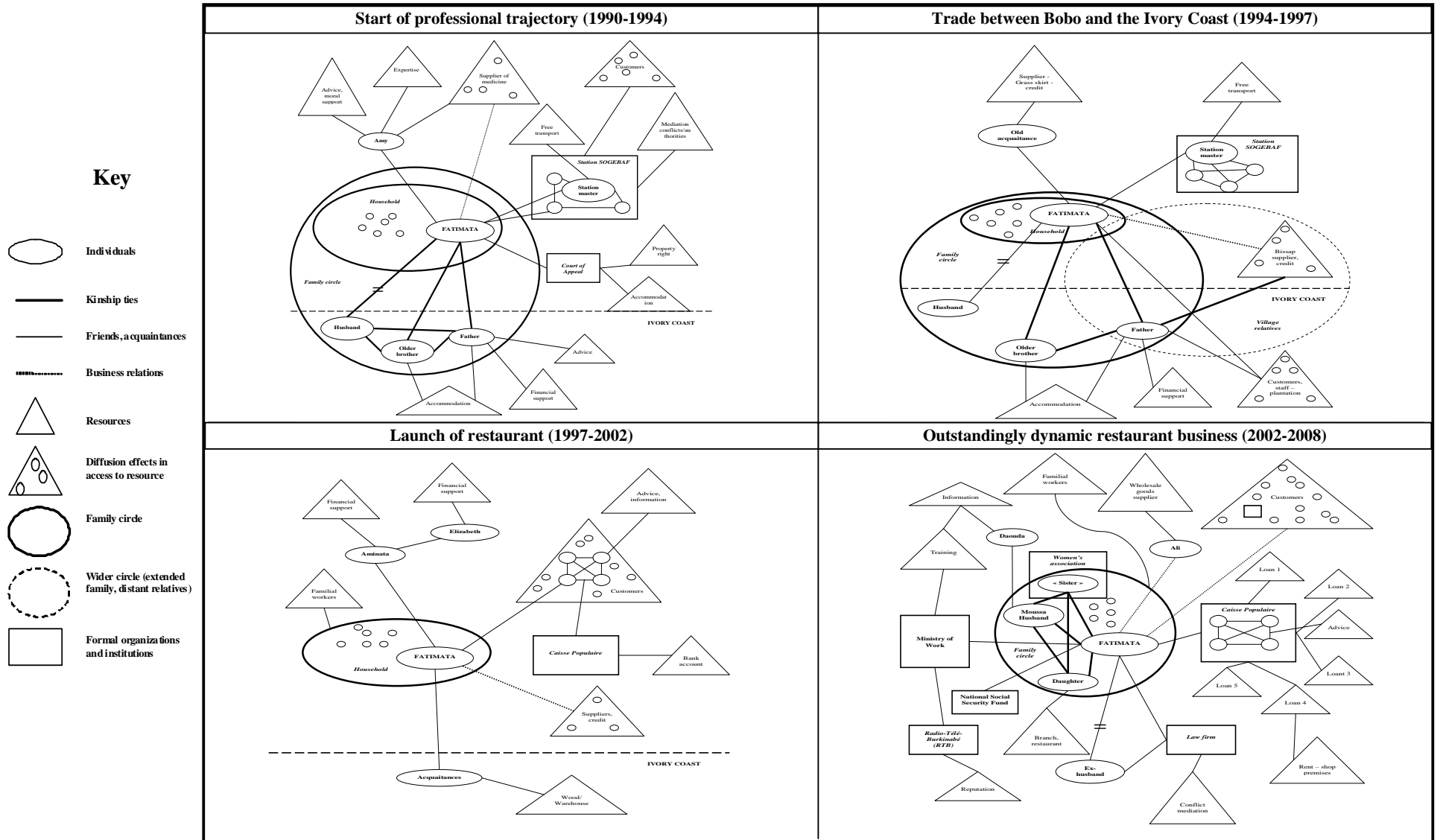
The quantitative analysis points to two avenues for further research to understand the role of networks in entrepreneurial dynamics: (i) the narrowing of the network at the creation of the business activity, reflecting the end of an intense period of accumulation based on relational strategies; (ii) the importance of the adaptability and potential evolution of the network (professionalization and institutionalization-decoupling), which is both the product and the condition of the dynamics of the activity.

4.2. Network diagrams: crystallization of relational configurations

Network diagrams involve representing the structure and composition of the network at critical moments of the process of entrepreneurial dynamics using schematic representations (Grossetti and Barthe, 2008; Coviello, 2005). Here a graphic representation is used for illustrative and exploratory purposes⁷ – illustrative since the case in point (Fatimata, 43, restaurant owner) usefully illustrates the two major results of the quantitative analysis. This can be attributed to the fact that Fatimata's trajectory provides a useful instance of the gradual institutionalization of an informal activity. The approach is also exploratory to the extent that the case study entails specifying a number of hypotheses drawn from the quantitative analysis to provide the foundations of a deeper qualitative analysis that integrates the 14 interviews of the sample.

⁷ Unlike Coviello (2005), who uses the same method to create a matrix and quantitative indicators of network structures.

Figure 1: The entrepreneurial trajectory of Fatimata (restaurant-owner)



Four diagrams were elaborated to represent the case of Fatimata (see figure 1). The first two diagrams represent the personal network before the creation of the business, with each diagram representing different periods of activity. The third and fourth diagrams represent, respectively, the network at the time of and after the creation of the business activity.

Fatimata's entrepreneurial trajectory is characterized by a highly dynamic relational basis and outstanding success. Analysis of the diagrams according to the period of activity (figure 1) suggests four basic conclusions. First of all, it is important to underline the diversity of resources and relations from the very beginning of the trajectory. Fatimata is able to "take her pick" from a range of social networks (family network, professional network, appeal to the courts to obtain a divorce and the issue of the occupation of the familial yard, etc.). The use of 'spatial strategies of accumulation' is also worth noting (Labazée, 2001). Fatimata's family relations in the Ivory Coast are particularly important for her grass skirt business. Secondly, it is important to emphasize just how restricted Fatimata's network was at the moment of launching the restaurant, particularly the narrowing of the family sphere to the household (thereby illustrating the results of the quantitative analysis). Thirdly, note the institutionalization (decoupling) of access to financial resources, which played a key role in the development of the business. Personalized relations with four regular customers who work in a Caisse Populaire are gradually turned into an institutionalized access to Caisse Populaire's bank loans (form of decoupling). Fourthly, the final stage of Fatimata's trajectory (reflecting the meteoric economic growth of her business) is marked by a significant level of access to formal organizations and institutions, represented graphically by rectangles. Besides her financial relations with the Caisse Populaire (which also enabled her to secure five loans ranging in value between 500,000 and 3,000,000 CFA francs), Fatimata has received training from the Ministry of Work (accounting, health and safety, employee contracts and declaration, etc.). Ministerial supervision of the training provided by several bodies specializing in the provision of support for small businesses resulted in an award ceremony for the "best entrepreneurs in the informal sector", a ceremony in which Fatimata finished fourth. The award ceremony was broadcast on national television. We may assume that her company is in the process of being formalized.

In order to sustain economic development, a network appears to require the capacity to change and to evolve in line with business activities. Analysis also demonstrates the reciprocal effect of the network on the activity and of the activity on the network, thereby suggesting the existence of a co-evolution of the network and of the entrepreneurial activity. A deeper analysis of the interviews conducted as part of this research will be used to define the specific form of this process.

5. An in-depth analysis of the articulation between social relations and access to resources in entrepreneurial trajectories

Analysis of the period of accumulation highlights a gradual and parallel construction of the network and of the activity. Analysis of the dynamics of success also demonstrates the importance of the professionalization of the network and the institutionalization of access to resources in the development of business activities.

5.1. The joint construction of the network and of business activities during the period of accumulation

Unsurprisingly, the level of capital and resources used to create a business activity has a crucial impact on the size and durability of a business. While personal resources appear

initially to play an important role, the critical perspective provided by the life stories collected in this research indicate the need to measure the length and sophistication of the period of accumulation enabling this contribution. The process of constituting the starting capital may take extraordinarily tortuous routes, a process during which social relations play a key role. There appears to be a simultaneous process of networking and accumulation of necessary resources at the launch of the business. The period of accumulation may take two major forms depending on whether it occurs during an apprenticeship (particularly in the craft industry and services) or not (common in the trade sector).

The period of accumulation tends to be particularly unstable and complicated if it is not part of an apprenticeship, and commonly involves a series of small jobs that may allow (in the absence of any major incident) for the accumulation of the financial capital required to set up a larger-scale business activity through the ‘doni-doni’ strategy (‘little-by-little’ in Dioula). These experiences are also characterized by a spatial dimension based on relations with neighbouring countries, particularly the Ivory Coast. Before setting up her restaurant, Fatimata had worked as a saleswoman selling medicine and as a grass skirt and Bissap saleswoman exporting products to the Ivory Coast (where she sold her products to the employees of her father’s plantation). Before setting up his laundry business in Bobo, Toé had worked in the Ivory Coast for over ten years (in a plantation, as a household employee – ‘little boy’ – and finally as a caretaker). After settling in Bobo-Dioulasso, Toé worked initially as a travelling salesman selling shirts on behalf of a friend, then as a bus driver. He finally set up his own laundry business, putting his experience as a household employee to good use. ‘Bouba’, an audio-video equipment retailer, had previously run no less than eight different businesses, including reselling parts in Ivory Coast for a friend and trading a range of wholesale goods between Nigeria and Burkina-Faso. These non-linear trajectories invariably involve a mobilization of social relations (for the most part family relations, but also friends), whether it be in terms of accessing the relevant trades, finding accommodation in different transit places, or transport. The instability of the lifestyle and of the activities carried out during the period of potential accumulation may partly account for the key role of family relations highlighted by the quantitative analysis: economic insecurity is thus counteracted by strong relations drawn from the primary socialization environment⁸.

Apprenticeships also provide an opportunity for building resources and skills. Access to apprenticeships is largely secured through family relations, acquaintances and neighbourhood relations. Parents often seek to secure an apprenticeship for their child from within their own network of acquaintances. In addition to the expertise acquired and developed during this period, several of the life stories collected in the course of this research emphasize the importance of this period in building a loyal customer base, including when this is achieved without the support of the manager, as illustrated by the ‘small businesses run without managerial backing’ developed by Madou, a welder, and Salifou, a printer. Madou provides a useful summary of this particular strategy:

I’ll tell you how I managed to get by...I know a lot of people, so if there are jobs to do, they call me: ‘Hey! Madou, I need you to come over, I need to have a door made for me, what would you charge for it?’ I’d say 30,000. ‘When can you get it done by?’ I’d say within a week. On my days off, on Sundays, workshops are shut, so I come to the workshop to do the job, and I’d keep the profit for

⁸ Periods of economic crisis are characterized by the following mechanism: economic insecurity is coupled with a sole reliance on strong relations, particularly family relations, corroborating the findings of previous research (Lourenço-Lindell, 2002). However, such reassurance is accompanied by a relation of dependence that may sometimes be highly constraining and from which entrepreneurs seek to emancipate themselves, sometimes unsuccessfully. To this extent family relations constitute both a factor of consolidation and of vulnerability.

myself...That's how I do things. There you go. I've saved a bit, I've paid for the equipment, hammers, and a few pliers...There you go.⁹

The benefits of fostering loyal customer relations, or 'friendship customers' (Lyon, 2000) – halfway between a commercial relation and a reciprocal relation – are threefold. First of all, such relations serve as a form of social support during apprenticeships, as in the case of Baba, an apprentice motorbike and bicycle repairman whom loyal customers do not hesitate to support in the event of conflicts with his employer. Baba's loyal customers also provide financial support to ensure that his basic needs are met (food, healthcare, accommodation). Loyal customer relations also help to build up a small capital (financial or physical capital). As Madou remarks: "*It was their way of helping me to set up my business. [...] You work well...as you don't have a workshop, your boss doesn't pay you well, and you get given this money so that basically you can earn a living*". Salifou, who runs a printing business, also recounts how he sought out customers when he was still an employee in his cousins' printing business. He was thus able to build up a starting capital by taking a margin from the business provided by the additional customers. Finally, this type of customer network is a key element in setting up a business activity as a barrier to entry. It guarantees a stable customer base from the very outset, generates diffusion effects (and even promotion of the new activity), and is sometimes used to access resources that are lacking (for instance financial support and access to business premises and apprentices in the case of Baba).

In both cases, the interviews carried out during this research highlight the complexity of the period during which the gradual formation of the network sustains access to resources and vice versa. Social relations appear to be a key factor for accessing a range of resources during the phase leading up to the launch of the business, such as access to different trades and apprenticeships. But these resources also provide an opportunity for developing new relations. The dynamics of the activities in which actors operate also determines the type of relations that are effectively developed (for instance the development of a loyal customer base by an apprentice is dependent on the dynamics of the employer's business). When a new business is set up, a certain number of resources have already been accumulated. Yet the mobilization of social relations is still often needed to acquire additional external resources (machines, financial support, and access to business premises). At this stage, the relations constructed during the period of accumulation can often be remobilized, and weak relations often play an important role (acquaintances, neighbours). Finally, it is important to note that while the need for consolidation during the period of accumulation partly accounts for the importance of family relations, the formation of other types of relations and mediations in the access to resources is required to develop the activity. Professional relations, organizations and collective institutions in particular are liable to boost business dynamics.

5.2. The stabilization of the network and the institutionalization of access to resources during the period of maturation

The development of informal activities involves several key stages that provide stability for a range of significant components within the network, especially business relations (customer relations and supplier relations in particular). Personal relations constitute the first stage of the process of stabilization, as illustrated previously by the case of Baba and the key role performed by the "customer friend" relations during the period of accumulation and in setting up the business. However, this particular type of professional relation remains highly

⁹ In this case it is clear that the formation of loyal customer relations may occur unbeknownst to the manager. The formation and development of relations (in this instance customer relations) may thus be the result of a conflict or betrayal, thereby invalidating idealized conceptions of social networks.

vulnerable and dependent upon the actors involved in the relation. Analysis of the life stories collected as part of this research show that firms which gain in reputation and dynamism are also characterized by other forms of professionalization and stabilization of the network of access to resources: diversification of business relations, development of cooperation and of the business community, and more generally the institutionalization of access to resources via professional associations and organizations.

One potential strategy involves a diversification (or massification) of business relations, which represent a form of decoupling (depersonalization). This strategy is particularly apparent in customer relations. Drissa, a cabinetmaker, explained that for a long time he had – like the majority of carpenters – worked to order. But shortly after setting up his business, Drissa opted for a new sales strategy based on exhibitions of his products (furniture, lounge suites, beds, etc.). *“People realized it was good work, quality work, and my customers liked it and I started to get more customers”*. Drissa’s current customer base includes both orders and direct sales, and is highly diverse and relatively wealthy (large-scale traders and state employees). Drissa’s business activities are evidence of solid business dynamism. Drissa even refuses to actively seek for new customers: *“If you go to see someone, it’s as if you’re begging...it’s not easy. For example what might happen is that they’ll think you need money and that’s the reason you came to see them”*. Bouba, an audio-video equipment retailer explains that an important aspect of his current business success rest on his extremely numerous “customer friend” relations and the word of mouth among them: *“I have many, many, many friends, many friends, a lot of acquaintances. That is where my great strength lies. 90% of my customers are acquaintances. (...) If I do my business cards, a hundred of cards, it last for no longer than two months”*. Salifou, who runs a printing and stamp-making business, underlined the importance of building a good reputation within the customer network: *“There are middlemen who talk about me, when they come for a service and they’re satisfied with it, they tell other people about it. As long as people know where to find quality service, the word will always go around”*. Salifou has thus been able to diversify his customer base, particularly by entering new markets such as schools and high school students. Ali, a welder, has by contrast been unable to diversify his customer base. The level of return business from loyal customers is also decreasing. The dynamics of his business activities is in crisis, forcing Ali to trade for the most part at a loss: *“For example in 2007, from May to December, I got by on nothing. Nothing was going right, it was really tough. [...] Honestly, when it comes to loyal customers, there’re just aren’t as many as before, there’s just no regularity”*. Relations with suppliers also provide evidence of this type of mechanism. The formation of loyal supplier relations may enable entrepreneurs to benefit from a range of services (advance payments, loans), but may also result in “over-embeddedness” (Uzzi, 1997), reducing the freedom and flexibility of entrepreneurs in the event of a crisis. Such is the case of Rasmané (a ragtrader), whose business activities depend entirely on Kuanda, a relative from the same village and Rasmané’s only supplier. Rasmané described the burden of this dependence, underlining his unsuccessful attempt to develop his business activities by bypassing his relation with Kuanda since, if he were to use a different supplier on a regular basis, Kuanda would construe it as a form of betrayal. By contrast, Salifou explained how he quickly changed suppliers as soon as he met another supplier offering a better price. The capacity to change suppliers or to use this capacity to negotiate the best prices may prove to be a crucial factor for small entrepreneurs, particularly in the event of a crisis.

The formation of a social network via cooperative or community work helps to stabilize business activities while simultaneously depersonalizing them, especially when an informal professional cooperation or community results in the emergence of a formal organization

(decoupling). Ibrahim explained that grain merchants in Bobo work together on a communitarian and non-personalized basis:

In the grain trade collaboration is obligatory. Because when a customer sees that there's not enough stock in your shop, you have to direct them to someone you know in the grain trade. [...] *Collaboration is never very personalized*, it happens between all those who work in the grain trade in the Bobo area [...] we make sure we're well-informed, so if a customer comes into my shop and I don't have what they want I can direct them to another grain merchant. [...] As soon as I get back from the country I tell other grain merchants about the product I have brought back so they can direct their customers to me if need be. And the same merchants pass the information onto other merchants, and so on and so forth.

Information thus circulates between all traders connected by a mobile telephone network (nearly one hundred traders in Bobo), which has also resulted in the creation of an association of grain merchants – an official organization aimed at facilitating transactions between countries for grain merchants and at promoting grain processing in Burkina-Faso. Membership of the association greatly facilitates access to bank loans and to certain markets (and therefore the capacity to develop business activities). Baba (the bicycle and motorbike repairman) also collaborates with other repairers in the event of overwork, working with long-standing colleagues whom he knows well and trusts (including colleagues met during his apprenticeship). The traders in this area have also created a professional association for bicycle and motorbike repairers. Their registered association is designed to provide funds for “fortunate and less fortunate events”, and the subscription fees cover the costs of a training programme for apprentices. The institutionalization of access to resources serves to foster the development of the activity inasmuch as it is no longer dependent on personal relations but is integrated instead within formal organizational structures.

Among the stories collected as part of this research, the case of Fatimata (the restaurant-owner) is undoubtedly the most successful instance of institutionalization. Regular customers in her restaurant advised her to create an account at the Caisse Populaire, and above all provided information about how to use the account in order to provide evidence of the good financial health of her business. Initially Fatimata only paid in small amounts on an intermittent basis and was refused credit. Her customers explained to her that she needed to make deposits and withdrawals on a daily basis so that the bank would see evidence of her highly dynamic business activities. Armed with the advice and support of her customers in preparing her application for a business loan, and having been granted planning permission (obtained in court following her conflict with her husband), Fatimata was able to obtain her first bank loan¹⁰, and was therefore no longer dependent on credit granted by her suppliers, which was at any rate too expensive (“*they added a lot of interest*”). Her bank loan represented above all the starting point of a spectacular growth of her business activities, supported by five consecutive loans. The case of Fatimata demonstrates that the institutionalization of a business activity is the result of the dynamics of the network of interpersonal relations. To use the terms coined by White (1992), decoupling might be said to be the very product of embeddedness. Fatimata's trajectory resulted in the formalization of her business activities as a result of a training programme provided by the Ministry of Work. Fatimata is currently in the process of setting up a proper bookkeeping system and has even registered an employee for the first time.

¹⁰ Again this underlines the importance of the pre-existing social relations between funder and funded, enabling the transfer of the non-monetary resources (information, advice) required to secure loans from microfinance institutions (Ferrary, 2006).

6. Concluding remarks

The analysis of the life stories of micro-entrepreneurs in Bobo-Dioulasso increases our understanding of the simultaneous formation of social networks and economic activity, as well as the articulation between social relations and collective or organized mediations (i.e. the dynamics of embeddedness and decoupling). Changes in the nature of relations throughout the development of entrepreneurial dynamics are observed. The development of informal activities is intimately connected with the stabilization of the network of access to resources. While family relations may provide stabilization before and during the launch of a business activity, such relations are gradually replaced by professional relations. The stabilization of the network is subsequently dependent on a diversification and massification of professional relations (itself a form of decoupling) or on an institutionalization of access to resources (through the development of business communities and professional associations and organizations). At the same time as being the product of the specific dynamics of business activities, the formation of an entrepreneur's network (a process that varies widely from one life story to another) generates a development of business activity: the process of professionalization and institutionalization is intimately connected with the dynamics of an entrepreneur's network of social relations. It is thus not clear whether an institutionalization of access to resources produced in an ad hoc manner, independently of all pre-existing relational dynamics, produces the same effects (like certain interventions by external actors such as NGOs). Finally, particular attention needs to be paid to the role of contingency in the capacity of entrepreneurs to transform their network, particularly by developing relations outside the family circle. Opportunities for developing new relations provided by the professional milieu should not be allowed to conceal deep inequalities between different types and dynamics of business activities. An instance of this is the possibility of developing a network of loyal customers or suppliers during an apprenticeship – a process dependent upon the dynamics of the company in which the apprentice is employed. Any small entrepreneur cannot therefore construct and mobilize social relations in order to compensate for a low economic capital as easily and as rapidly as might be suggested by certain approaches to social capital.

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