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► **To cite this version:**

Jean-Philippe Berrou, Claire Gondard-Delcroix. Dynamics of Social Networks of Urban Informal Entrepreneurs in an African Economy. *Review of Social Economy*, 2018, 76 (2), pp.167-197. 10.1080/00346764.2017.1349330 . halshs-02280415

**HAL Id: halshs-02280415**

**<https://shs.hal.science/halshs-02280415v1>**

Submitted on 6 Sep 2019

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# Dynamics of Social Networks of Urban Informal Entrepreneurs in an African Economy

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## 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 African economy. The analysis of social networks is rooted in Granovetter's structural embeddedness framework combined with the dynamic and discursive conception of social relations of Harisson White (embeddedness and decoupling). Life-stories of micro and small entrepreneurs in Bobo-Dioulasso (Burkina-Faso) are analysed by mixing qualitative and quantitative methods. Results suggest that the construction of social networks and interpersonal relations of access to resources is a long-term process. A co-construction of social networks and economic activity is observed, undermining the view of social capital as a substitute for a lack of personal resources. The growth of small and micro activities is linked to the professionalization and stabilization of a social network, and even to the institutionalization of access to resources.

## Keywords

Embeddedness, Social Networks, Informal economy, Entrepreneurial stories, Mixed methods

## JEL Classification

O17 - Z13

## 1. INTRODUCTION

Informal economies have undergone a rapid expansion in developing countries over the last decades, especially in Sub-Saharan African (SSA) cities, where they contribute on average 70 per cent of urban employment (Junting and Laiglesia, 2009). In the current framework of states and modern institutional failure in SSA, social networks and personal relations inevitably play an important part in structuring economic activities, particularly for micro and small enterprises (MSEs) within informal economies. They may impose “forced solidarity” and redistributive pressure (Grimm *et al.*, 2013) as well as facilitate access to a range of useful resources for entrepreneurs, such as information, ideas and knowledge (about markets, activities, and skills) or financial and material support (particularly in times of crisis) (Fafchamps and Minten, 2002; Berrou and Combarrous, 2012). Social networks and interpersonal relations constitute both a barrier to entry and an essential determinant of the current dynamics and performance of informal economic activities. In this line, the paper investigates the role of entrepreneurs’ social network in the development of their economic activities, adopting a micro, multidimensional and dynamic perspective.

A wide range of studies have been developed around the role of individual social capital (defined as the social networks of access to resources) on firms’ economic performance in developing countries (Fafchamps and Minten, 2002). 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 anticipating for future profits (Durlauf and Fafchamps, 2004). Empirical studies carried out for the most part in rural areas have tended to demonstrate that social capital has a positive impact on economic outcomes. Many criticisms have already been levelled against this neo-institutionalist perspective (Granovetter, 1985, 1992; van Staveren and Knorringa, 2007; Meagher, 2010). 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 approach refers to the static conception of networks. Not unlike research on entrepreneurship in industrialized countries (Larson and Strass, 1993; 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 still rooted in social-capitalist approaches and, following Jackson and Wolinsky (1996), is based on a quantitative economic analysis of the endogenous formation of networks. In this perspective, the dynamic of social networks is driven by rational choice and instrumental action. These studies focus particularly on the formation of risk-sharing networks in rural communities (Fafchamps and Gubert, 2007). The second perspective is based on longitudinal quantitative studies of ego-centred networks<sup>1</sup>. 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 (Bignami-Van Assche, 2005). These studies 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) that enables deeper analyses of the complexity, dynamics and contingency of social relations (Durlauf and Fafchamps, 2004; Hoang and Antoncic, 2003; Slotte-Cock and Coviello, 2010). In Africa, recent qualitative research has been carried out on the role of social networks in entrepreneurial dynamics and survival strategies<sup>2</sup>. These studies have tended primarily to

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<sup>1</sup> An ‘ego-centred’ (or ‘personal’) network is defined as one actor’s set of relations with others. It is composed of a focal actor (named ego), a set of ego’s direct social contacts (named alters) and the ties between them.

<sup>2</sup> Obviously, qualitative approaches on the nature and role of social networks in African societies have also been widely used by anthropologists, historians and sociologists (Mitchell, 1969), notably concerning wide trading networks from pre-colonial to contemporary periods (Juula, Hausa, Igbo or Mourides trading networks) (Meillassoux, 1971).

explore the following issues: the diversity of the 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; Cleaver, 2005, Meagher, 2010). Though providing a comprehensive analysis of social relations, this research has shown little interest in the dynamics of social relations in the trajectory of entrepreneurs and their activity. The contribution of the present study is to provide an analysis of the evolution or transformation of social networks 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) by using an original qualitative perspective<sup>3</sup>. From a theoretical standpoint, 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 (Mische and White, 1998; Knox *et al.*, 2006; White, 2008). While structural embeddedness emphasizes that economic activity is shaped by the social relations in whom actors are embedded, a qualitative approach serves to avoid the risk of temporal and relational reductionism (embeddeness and decoupling). This theoretical framework allows investigating 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? How are interpersonal relations and collective and/or organized social forms intertwined?

The purpose of the original 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" to data analysis (i.e. both quantitative and qualitative approaches) (Coviello, 2005; Grossetti *et al.*, 2011). Interviews structured around the life-story method and inspired by the

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<sup>3</sup> Interpersonal relations are then defined as regular social relations conveying essential resources for the start-up as well as the current exploitation of a business.

case studies approach (Grossetti *et al.*, 2011) were carried out with fourteen entrepreneurs operating in the informal economy of Bobo-Dioulasso. Analysis of interviews was carried out using three complementary steps, privileging a mixture of qualitative and quantitative methods. The first two steps serve to mapping out some regularities and to provide a closer and fuller picture of the nature of entrepreneurs' network of access to resources. We then combine: (i) a quantitative statistical analysis based on the identification and coding of sequences of access to resources by mobilizing a personal relation or a collective entity (300 sequences are identified); and (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. The last step provides a comprehensive and comparative analysis of interviews to develop an in-depth analysis of the mechanisms and processes at work.

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 role of social relations to access resources (4). The co-construction of networks and entrepreneurial trajectories is analysed (5) before some concluding remarks (6).

## 2. FROM GRANOVETTER TO WHITE: QUALITATIVE APPROACH TO THE DYNAMIC OF SOCIAL NETWORKS

### 2.1. The Granovetter's Reticular Embeddedness Conceptual Framework.

In Granovetter (1985, 1992), the notion of embeddedness is used to overcome the problem of atomism of social action. Embeddedness implies that economic action is socially constructed by the network of ongoing social relationships in which actors are embedded. 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 according to Granovetter actors are not always in a position to actively and rationally choose their personal relations for a given objective. Social relations are also a by-product of sociability and are therefore considered to be exogenous. 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<sup>4</sup>. 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 a ‘relational’ reductionism. An excessive focus on social relations may result in overlooking wider social structures and institutions, particularly ‘social circles’ (organization, group, family, etc.), which also shape actors and their relations.

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<sup>4</sup> Compared with the linear measurements of stock of social capital commonly found in the literature, this approach provides useful indicators concerning personal networks’ configuration, highlighting their structure and composition. These indicators can then be related to actors’ economic performance. An application of this approach to urban informal entrepreneurship in Africa is provided in Berrou and Combarous (2012).

## **2.2. Embeddedness and Decoupling: White's Discursive Approach to Social Networks.**

The thesis elaborated by White (2008) provides a synthesis of these two criticisms. White introduces a kind of “cultural and discursive” approach in social network analysis (Knox *et al.*, 2006:130), according to which “*discourse is the stuff of social networks*” (Mische and White, 1998: 695). It offers solid theoretical and methodological background for qualitative studies of social networks.

White's structural theory of action is outlined in his book *Identity and Control* (2008). He seeks to go beyond the classical oppositions in the social sciences between micro and macro, individualism and holism, subjective experience and structure, static and dynamic. The notion of identity is equivalent to those of actors or agents elsewhere (individual entities, groups or organizations). In a risky and uncertain environment, identities are looking for control (search for stability). In this context, identities are conduced to interact. This may lead to sporadic and intermittent contacts, but also to regular relationships which form the basis of social networks. What gives substance to these relations, are the stories interpreted not only by those who participate in it but also by observers (White, 2008). A story plays a crucial role in the constitution of a relation by producing a kind of objective narrative of a particular aspect of the relation<sup>5</sup>. “*It is through stories that interactions extend beyond their instantaneous nature to become temporally embedded in the form of relations and to have durable effects*” (Grossetti and Godart, 2007: 4). White's approach shares much common ground with the ‘narrative positivism’ elaborated by Andrew Abbott (2001).

Though social networks are considered as a fundamental social structure, other forms of social structure are considered by White. Addressing the dynamic of embeddedness and

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<sup>5</sup> 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, 2008: 31).



decoupling White proposes an analysis of the dynamic of emergence and disbanding of social entities and organization (including markets)<sup>6</sup>. While embeddedness involves the idea of a dependence of an action in relation to another form of social relation (as social networks), decoupling is defined by White as the opposite of embeddedness and implies the autonomization of a social form in relation to another social form. This model is quite similar to the “network model of organization formation” of Larson and Starr (1993). They identified three steps in the transformation process of networks into organization: (i) the opportunistic mobilization of essential dyads (often kinship and friendship ties); (ii) the transformation of these social ties into socio-economic exchanges ties (overlap of social and business motives, multiplexity)<sup>7</sup>; (iii) the diversification of resources exchanged in each tie (additional resources, business functions, activities...) and the development of more organizational linkages. In both models, organizations and institutions can be seen as “reified” (Granovetter, 1985) or “crystallized” (Larson and Starr, 1993) networks, or the result of a process of “decoupling” or autonomization (White, 2008).

Figure 1 describes schematically the process of embeddedness and decoupling at different levels of action: (i) individuals and their ties; (ii) personal networks and organizations; (iii) inter-organizational networks and institutions.

[Fig. 1. here]

The influence of relations on individuals or organizations is what is called embeddedness, the autonomization of an organisation or individuals from these relations is the process of

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<sup>6</sup> In this framework, organization (collective and/or organized social forms) can be defined as social circles to pick up the phrase 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. Collective organizations may be informal (family) as formal (civil groups...).

<sup>7</sup> Multiplexity refers to the fact one single ties can convey multiple contents (multiple resources or multiple social roles for example) (Mitchell, 1969).

decoupling. Obviously, this is an interactive and dynamic process (see double arrows in fig. 1). The dynamic of embeddedness and decoupling refer in our case to processes as follows: how interpersonal relations between different entrepreneurs can lead to the emergence of collective organizations as professional associations, or how interpersonal relations between an entrepreneurs and members of a collective organizations can lead to more institutionalized access to resources. When a community is formed as a result of relations between actors and then lead to the creation of a formal organization (level 2), with its proper rules and norms that ensure its independence, it is decoupled from its relations (level 1). 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 (level 2) or macro-social level (level 3).

Within this theoretical model, especially the first two levels, we will analyse the process of interactions between informal entrepreneur, personal relations, networks, and organizations along three steps during the entrepreneur's professional trajectory: before the start-up of his business (since the entry in the professional life), the start-up of the business, and the current dynamic of the business.

### **3. METHODOLOGICAL FRAMEWORK: LIFE STORIES OF ENTREPRENEURS IN BOBO-DIOULASSO**

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 approaches, 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. Such analyses are founded on data production tools as direct observation, open or semi-directed interviews.

### **3.1. Adapting the ‘Case Stories’ Method.**

The ‘case stories method’ uses interviews based on biographical data, life stories or narrative interviews (Grossetti *et al.*, 2011). 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 means of access to external resources were used in the interviews to determine specific conditions of access (personal social relations, social circle or collective organizations and diffuse social relations)<sup>8</sup>. These sequences are small histories in the overall history that is the subject of the narrative. They are the concrete illustration of the White’s discursive approach described above. The narratives were subsequently reconstructed and transcribed by the researcher (5-6 pages). Reconstruction involved placing interview material into chronological order. This method has the advantage of helping to understand and to analyze the concrete mobilization of relations, or other forms of social mediations, in processes for accessing resources along the professional and entrepreneurial trajectory.

### **3.2. Bobo-Dioulasso and the Group of Interviewed Entrepreneurs.**

The data were collected between 2006 and 2008 in the informal economy of Bobo-Dioulasso in Burkina Faso, which is one of the poorest countries in the world. In 2007, real GNI per capita was estimated at US\$ 430 and 43.9 per cent of its population lives under the poverty line in 2009 (World Bank, 2009). The importance of the informal economy in this country

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<sup>8</sup> 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 and institutions).

matches regional tendencies. In Bobo-Dioulasso, it represents 49.5 per cent of local value added and 68.2 per cent of employment (Fauré and 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)<sup>9</sup>. Between February and July 2007, a quota sample of over 300 informal businesses was selected for their representativeness on the basis of the most recent comprehensive survey of all activities in the city (Fauré and Soulama, 2000)<sup>10</sup>. In 2008, a detailed interview was carried out with 14 of the 300 entrepreneurs (only owners of activities were interviewed). The interviewed businesses were chosen in such a way as to illustrate the variety of branches and the dynamism of informal activities (in regard to performances indicators collected with the quantitative survey, as sales turnover, value added, profit, amount of investment...)<sup>11</sup>. Four of the fourteen interviewed businesses were involved in the production sector (tailor-dressmaker, wood and metal joinery), while the remaining ten 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

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<sup>9</sup> Name generators consist of one or several questions inviting respondents (egos) to recall and elicit people (alters) with whom they maintains certain types of direct relationships. They are usually followed by questions, called 'name interpreters', which gather information on alters' attributes, the relationships between ego and alter, and the relationships between alters.

<sup>10</sup> The quota sample is stratified by three criterions based on the results of the last comprehensive census of economic activity in Bobo-Dioulasso (Fauré & Soulama, 2000): economic sectors (production, trade and services), sub-sectors, and geographical area. Our survey focused on small private urban economic activities conducted away from fixed homes. Only owners and real managers of activities were interviewed. In practical terms, the respondents were mainly selected anonymously by using a random walk technique through the city with various procedures of a priori control regarding the criterion considered (for a more detailed outline of the sampling and survey method, see Berrou and Combarrous, 2011).

<sup>11</sup> See table A1 in appendix 1.

age and ethnic origin), even if just two women were interviewed in the course of this research.

#### **4. SOCIAL RELATIONS AND ACCESS TO RESOURCES IN ENTREPRENEURIAL TRAJECTORIES**

Narratives can be analyzed and interpreted in both qualitative and quantitative terms (Coviello, 2005). In this study, the analysis of interviews was based first of all on a quantitative statistical approach aimed specifically at mapping out the regularities regarding the articulation between social relations and access to resources in entrepreneurial trajectories. Secondly, the diagrams of selected cases propose a fuller picture of the nature and structure of personal networks at critical moments of entrepreneurial activity.

##### **4.1. Statistical Identification of the Sequences of Access to Resources.**

From each of the 14 interview, we quantify the social relations and resources mobilized throughout the entrepreneurial trajectory, as well as their chief characteristics. For this purpose, we identify the sequences of access to external resources and code them. More precisely, we code the type of resource (among others: advice, skills, physical capital, financial support), the mechanism underlying the acquisition of the resource (personal relation, collective entity or diffuse social relations) and the moment at which the sequence occurred (before the creation of, at the start of or after the creation of the business)<sup>12</sup>. Each sequence of access to resource could involve several actors and the length of sequences can vary (from a few hours to a few months) but sequence is always limited in time: it ends when the transfer of the resource to the entrepreneur occurs. From the 14 interviews, approximately

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<sup>12</sup> See appendix 2 for an illustration.

300 relation-resource sets were coded, producing a relatively large sample that could be used for the purposes of a quantitative analysis<sup>13</sup>. 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 resource and the kind of social relations mobilized at the moment of acquisition.

## **4.2. The Changing Nature and Role of Social Relations.**

### 4.2.1. The prominent part of personal relations in access to resources

Table 1 combines the mode and period of access to resources (before, during and after the creation of the business activity). Table 1 highlights the particular significance of personal relations, indicating that over 80 per cent 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

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<sup>13</sup>Each narrative contains an average of 21 sequences of access to resources. Except for two particular cases containing respectively 8 and 41 sequences, all other narratives share fairly equitably the various sequences of access to resources (with a minimum of 15 and a maximum of 27 sequences). Moreover we have also checked that the distribution of types of resources is quite balanced among the 14 cases.

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.

[Table 1 here]

#### 4.2.2. Kinship ties and business ties along entrepreneurs' professional trajectory

The observation of the kind of relation mobilized during the period of acquisition indicates a highly pronounced degree of crossover (see table 2). 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. This result is consistent with the work of Lyons and Snoxell (2005) regarding the development and adaptability of traders' social relations in a context of increasing urbanization in Nairobi. Their main conclusion 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 in market places. However, if our result reflects the fact that the creation of the business activity results in an increased professionalization of the network, it may in turn 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 well known 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 and Diop, 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).

[Table 2 here]

#### 4.5.3. The evolution of resources needs and the network's transformation

The temporal dimension also generates fruitful results when it is applied to the specific type of resource (table 3). On average, the main resources in all trajectories of activity include advice, financial support 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 advices, 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 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 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.

[Table 3 here]



### **4.3.Relational Configurations at Different Steps of the Professional Trajectory: the Case of Fatimata (restaurant owner).**

Network diagrams provide complementary material to the descriptive quantitative analysis by graphically representing the structure and composition of the network at critical moments of the process of entrepreneurial dynamic (Coviello, 2005). Such material is really helpful to understand how networks interact with the entrepreneurial dynamic. We select two cases: one case of entrepreneurial success (Fatimata, 43, restaurant owner) and, as a counterpoint, one case of entrepreneurial stagnation (Rasmané, 42, traditional clothes trader). In each case, four diagrams were elaborated to represent the personal network at critical times of the professional trajectory.

The first selected case – Fatimata, 43, restaurant owner – is characterised by a gradual institutionalization of an informal activity and provides a useful instance of the social network evolution (figures 2a and 2b). 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.

[Figure 2 here]

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 (figures 2a and 2b) suggests four basic empirical findings. 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. 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 the microfinance institution named 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.

[Figure 3 here]

The case of FATIMATA is not a unique case but illustrative of other cases of entrepreneurial success (see below). Conversely, cases of entrepreneurial stagnation or failure show reverse picture, like Rasmané's one (figure 3a and 3b). The two first diagrams represent Rasmané's network respectively before and at the time of the creation of his business (travel bags trader).

The third and fourth diagrams show the evolutions of the network between a prosperous period (third diagram) and a period of activity crisis when the slump in sales of travel bags compels Rasmane to create a new rather unprofitable activity (traditional clothes trader).

Over the four periods we observe that Rasmané's network is restricted (number of ties), homogenous (nature of ties) and rather static. Since the beginning, Rasmané's professional experience is entirely dependent of very few kinship relations. These relations support the activity dynamic but also constitute a binding force. In his youth, Rasmane's uncle provide him a secure job in his plantations in Ivory Coast but when Rasmane ask for some independence, his aunt explains him he cannot work in Ivory Coast with others than his uncle without adversely affecting his reputation. His father will solve the problem on his own by providing him a wife and some financial support to create an activity of travel bags trade in Bobo-Dioulasso. Rasmane's brother substantially contributes to the start-up of the activity by providing him a warehouse in the Central market of Bobo Dioulasso. During the following period, a short period of time, the activity is rather prosperous. Compelled to abandon his activity and to leave his place in the Central market, Ramsane's creates a new activity (traditional clothes trade) thanks to his brother and Kuanda, a relative from the same village, younger than him, he helped in the previous period and considers as a brother. Rasmane's current activity is totally dependent on Kuanda (only supplier and financial support). In Rasmane's case, the network dynamic is characterized by impoverishment and deinstitutionalization combined with depressed activity dynamic.

The comparison of the cases of Fatimata and Rasmané shows us how networks can act as a facilitator or as a barrier for the development of the activity. It depends on the main characteristics of the network and notably on the capability for an entrepreneur to professionalize and institutionalize his/her network.

## **5. THE CO-CONSTRUCTION OF NETWORK DYNAMICS AND ENTREPRENEURIAL TRAJECTORIES**

The quantitative analysis (statistics and diagrams) points to two avenues for further explanation 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 (networks as a barrier to entry); (ii) the importance of the adaptability and potential evolution of the network (diversification, professionalization and institutionalization-decoupling), which is both the product and the condition of the dynamics of the activity (co-construction). Regarding our model (cf. figure 1), the first avenue refers mostly to processes occurring at level one, whereas the second avenue introduces interactive processes between level one and two.

### **5.1. Network as a Barrier to Entry: Networking and Business Experiences Before the Firm's Start-up.**

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 indicates 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 and constitute a social barrier to the formation of a business. 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).

### 5.1.1. Networking and accumulation process in an unstable environment

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.

In the case of Fatimata that we have seen previously, before setting up her restaurant, she had worked as a saleswoman selling illegal 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). Similarly, Rasmane has experimented in different jobs since his entry into the professional life; for example a family worker in craft businesses in Bobo-Dioulasso and an employee on a plantation of an uncle in Ivory Coast. He then starts a business of traders in the central market place of Bobo-Dioulasso (sale of travel bags) with the help of his father and brother (financial support), and finally a share in business place with Kuanda, his uncle.

These two cases are not unique cases. 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. Similarly, Boubou, 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 specific 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 environment.

#### 5.1.2. Apprenticeship and the formation of business networks

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

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.<sup>14</sup>

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).

### 5.1.3. Entrepreneurs' network and access to resources before firm's start-up

In both cases, inside and outside apprenticeship, the interviews carried out during this research highlight the complexity of the period during which the gradual formation of the

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<sup>14</sup> 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.

network sustains access to resources and vice versa. In this perspective, social networks clearly appears as an important barrier to entry. 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. Firm's Growth, Networks Dynamics and Decoupling Processes.**

Analysis of the life stories collected as part of this research shows that firms which gain in reputation and dynamism are characterized by network dynamics and decoupling processes quite similar as the one described in our model (fig. 1) and by Larson and Starr (1993): diversification of business relations and resources exchanged (network multiplexity), development of cooperation and business communities, and more generally the institutionalization of access to resources via professional organizations.



### 5.2.1. The case of Fatimata: a good illustration of the entire process of decoupling and institutionalization of access to resources

As we have seen, Fatimata has been able to diversify her relations, notably business relations. But more interestingly, her case offers a precise illustration of the different steps of the process of decoupling. In a first step, some customer relations turn into friendships relations that conveyed multiple resources (notably social support and advice). More precisely, the four regular customers who work at the Caisse Populaire advised her to create an account, 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 saved 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 loan. This second step is the precise illustration of the decoupling and the institutionalization of access to resources. She is now no longer dependent on credit granted by her suppliers, which was at any rate too expensive (*“they added a lot of interest”*), nor dependent on her friendship customers. 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 (2008), 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.

The role of this process in the success of entrepreneurial trajectory is confirmed by other life stories.

#### 5.2.2. Relational diversification and network crystallization as different steps in the process of decoupling

The importance of relational diversification is stated by others authors. In her work on the history of Igbo economic networks, Meagher (2010) describes the diversification of relations (which represent a form of decoupling, depersonalization) as a consequence of networks restructuration in a context of crisis and increasing competition under liberalization process. In our sample, the diversification of business relations 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”*. Another illustration is the one of Bouba, an audio-video equipment retailer, who explain 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 percent 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. 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 and risk sharing mechanisms (advance payments, credit).

The crystallisation of interpersonal relations or networks of access to resources in collective organization and institution is often associated with successful entrepreneurial trajectory. Business cooperative or community helps to stabilize business activities. It allows entrepreneurs to be more independent (and less vulnerable) to their personal networks, especially when an informal business cooperation or community results in the emergence of a formal organization (decoupling). Ibrahim explained that grain traders 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 traders and at promoting grain processing in Burkina-Faso. Membership

of the association greatly facilitates access institutional resources, as bank loans and certain public markets (and therefore the capacity to develop business activities). Similarly, 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.

### 5.2.3. Cases of failure : over-embeddedness and entrepreneurs trapped in static networks

By contrast, cases of failure show that these processes are never guaranteed and rely upon several factors. Social networks can act more as a constraint than as a support, and trapped entrepreneurs in an unsuccessful trajectory. This kind of “over-embeddedness” (Uzzi, 1997), reduces the freedom and flexibility of entrepreneurs in the event of a crisis. This is particularly the case in small and dense networks where business relations strongly overlap with kinship relations. Such is the case of Rasmané (the ragtrader), whose business activities depend entirely on Kuanda. 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. Here we observe how such kinship relations may turned into a relation of dependence that may sometimes be highly constraining and from which

entrepreneurs seek to emancipate themselves, sometimes unsuccessfully (Berrou and Gondard-Delcroix, 2011).

Of course, structural factors such as sectoral specificities, demand, economic power, competition (Meagher, 2010) are important in the ability of entrepreneurs to transform their network.

## **CONCLUSION**

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. From a theoretical standpoint, it confirms the scope of our model based on Granovetter's structural embeddedness and Whites' embeddedness and decoupling dynamics.

From a methodological standpoint, our original approach confirms the contribution of mixed methods to investigate the impact of social networks on the entrepreneurial process and, conversely, the impact of the entrepreneurial process on the formation of social networks (Coviello, 2005; Hoang and Antoncic, 2003; Jack, 2010).

Regarding our results, 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 business relations in successful entrepreneurial trajectories. The importance of business ties for MSEs in the informal economy is often underestimated by considering informal activities as fully embedded in kinship networks. Along with kinship and community, market places and business experiences are important places for networks

formation. Particular attention needs to be paid to contingencies and inequalities in the capacity of entrepreneurs to transform their network, particularly by developing relations outside the family circle. Social networks can also be seen as a social barrier in entry to informal 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. Successful trajectories are based on the stabilization of the network that is subsequently dependent on a diversification 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).

Obviously, more research on social networks and informal MSEs in developing countries should analyse both where do social relations come from and how personal relations contribute to the formation of organizations and institutions that shaped informal market functioning. This interactive process between personal relations and organization needs to be more deeply explored with qualitative and mixed methods that allows for dynamic perspective. Qualitative surveys on more important sample are needed to strengthen our

results. Moreover, sectoral approaches may be useful to reinforce the articulation between entrepreneurs' networks dynamics and structural factors.

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## APPENDIX 1

**Table A1.** *Principal characteristics of the 14 entrepreneurs*

		<b>n</b>	<b>%</b>
<b>Age</b>	<i>&lt; 25 years</i>	1	7
	<i>[25, 35[</i>	4	29
	<i>[35, 45[</i>	7	50
	<i>&gt; 45 years</i>	2	14
<b>Gender</b>	<i>Male</i>	2	14
	<i>Female</i>	12	86
<b>Ethnic group</b>	<i>Mossi</i>	6	43
	<i>Others</i>	8	57
<b>Native from Bobo-Dioulasso</b>	<i>Yes</i>	6	43
<b>Education</b>	<i>None</i>	7	50
	<i>Primary education</i>	4	29
	<i>Secondary or more</i>	3	21
<b>Sector of activity</b>	<i>Production</i>	4	28
	<i>Trade</i>	5	36
	<i>Services</i>	5	36
<b>Geographical location</b>	<i>Historic center</i>	9	64
	<i>Periphery</i>	5	36
<b>Age of the business</b>	<i>&lt; 5 years</i>	7	50
	<i>[5, 10[</i>	4	29
	<i>&gt; 10 years</i>	3	21
<b>Number of employees</b>	<i>Independant</i>	3	21
	<i>&lt; 5</i>	7	50
	<i>&gt; 5</i>	4	29

*Source : authors*

## APPENDIX 2

### Some sequences of access to external resources during the start of the business of Ali, a welder, 35 years old.

*To illustrate what we call « a sequence of access to resources », some examples are provided below. Then, we explain the encoding technique.*

#### **Sequence n° 7**

He starts working as an independent worker using the workshop of an acquaintance of Kôkô. The boss of the workshop, T. Abderrahmane, is working with his father; they are good friends.

#### **Sequence n° 8**

*« (...) friends sent me customers too (...) »*

#### **Sequences n° 9, 10, 11**

Ali obtained some big contracts as those with the ENEP (*l'Ecole Nationale des Enseignants du Primaire*, ie. the National school of primary school teachers), with SODIGAZ and with the City Hall. Most of them were obtained thanks to mediators. Concerning the ENEP, Ali has got several friends there, including an elder brother. The driver of the SODIGAZ is an acquaintance. Ali is also member of the CDP [one of the Burkinabe political party] and the actual mayor, S. Sylvain, who belongs to CDP too, comes from the same district.

#### **Sequence n° 12**

Ali works with Adama Z. He knew him in 1994, when he worked at the workshop of his uncle, Moussa.

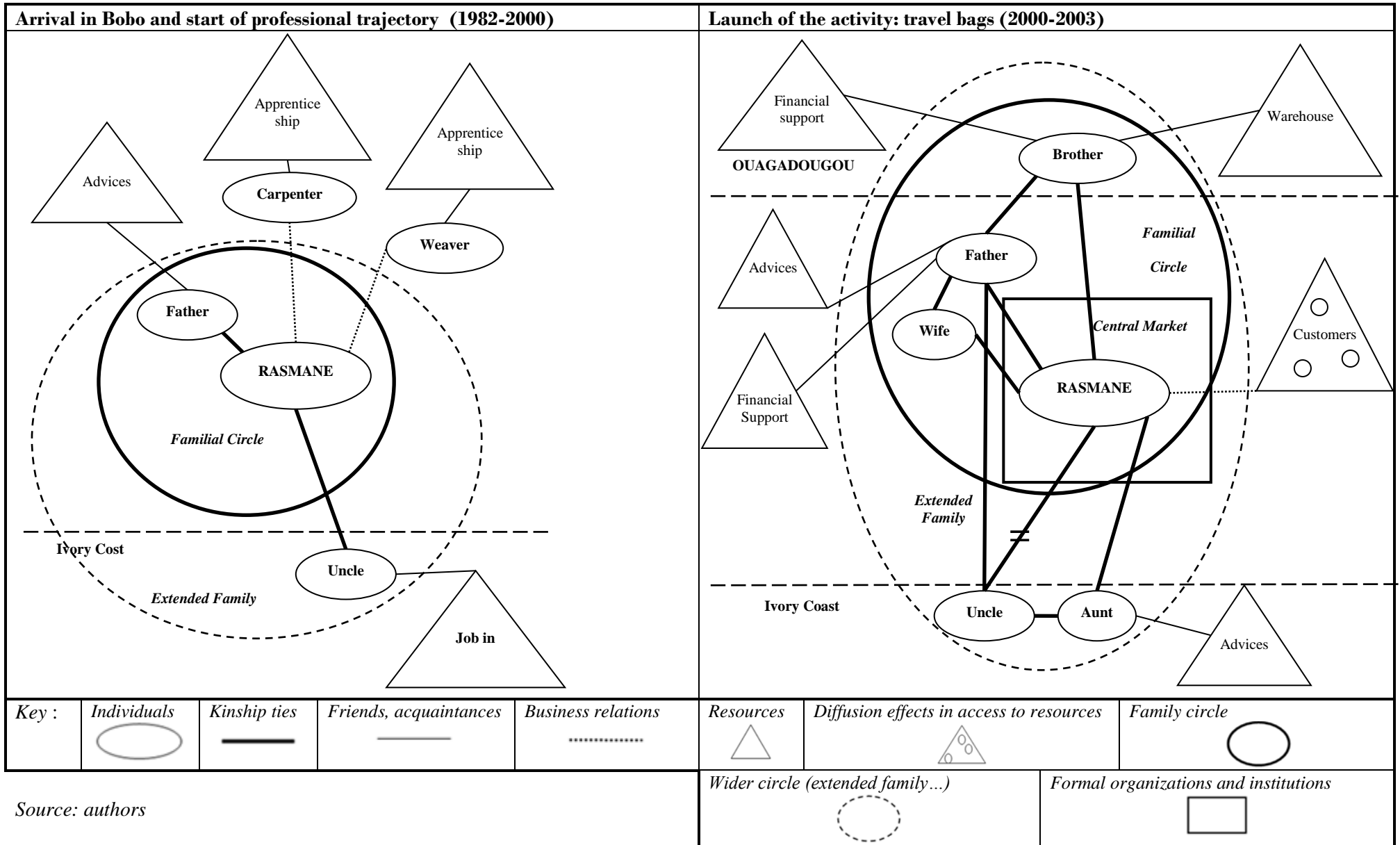
#### **Sequences n°13, 14**

Babou C., is a childhood friend of his father. At this time, he was entrepreneur in Ouaga and gave him a welding unit, a drill and 50000 FCFA to help launch his activity.

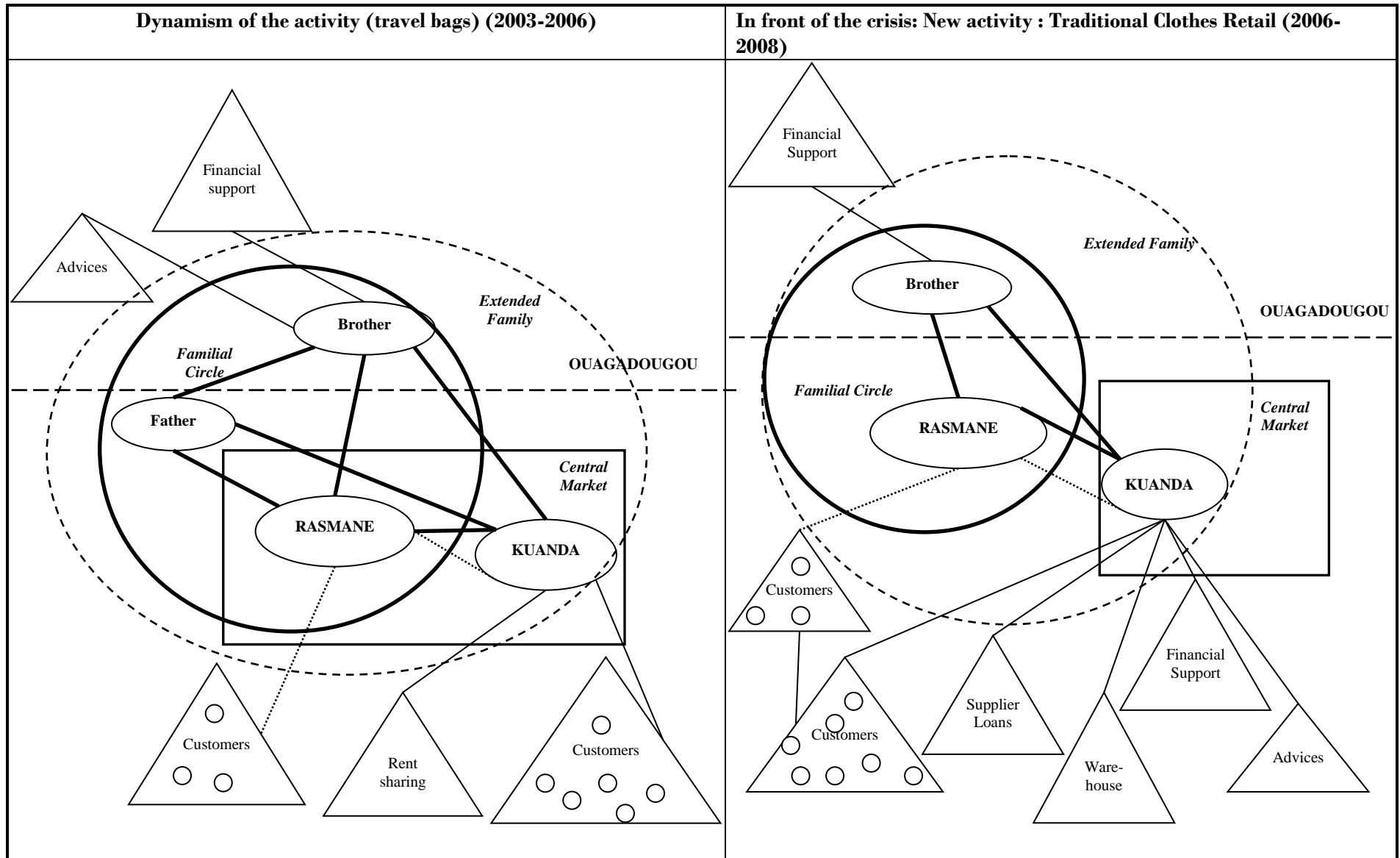
*Source : authors.*

*Note : (i) For the sequence n° 7, we encoded the kind of resource (here, the workshop), the nature of the tie (here, a personal relation, an acquaintance) and the length of the chain (here, 2 because he accessed the resource thanks to a person he knew thanks to his father). (ii) It is the same for sequences n°9 to 11: we encoded the three contracts obtained and, for each of them, the mobilized relations (big brother, acquaintance, friend from the same political party).*

**Figure 3(a): The Entrepreneurial Trajectory of Rasmané (traditional clothes trader)**



**Figure 3 (b):** The Entrepreneurial Trajectory of Rasmané (traditional clothes trader)



Source: authors



