

# Diaspora Direct Investment for Wales? A Feasibility Study

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## Abstract

This paper presents the results of an academically driven feasibility study on the development of a Diaspora Direct Investment (DDI) for Wales. Diaspora are a potential source of talent and skills, and enablers of economic growth (Kuznetsov, 2010). DDIs are investments from companies and/or individuals connected to diasporas which can fund start-ups in the country of origin (CoO). Many countries such as Mexico, Taiwan, Ireland, and Chile have been working to better understand their diaspora and how they can harness social and financial capital for the benefit of the home country. In a post-Brexit, post-Corona world, the devolved nations of the United Kingdom have begun to recognize the importance of engaging with their diaspora. Wales specifically has recently developed its international strategy to ascertain how to engage more purposefully with the world.

This feasibility study employs a mixed methods approach to ascertain the appetite for a Welsh DDI fund. Through a survey of the Welsh diaspora, policy and document analysis, and focus groups and interviews with key stakeholders, including High Net-Worth Investors (HNWI) and Sophisticated Investors (SI), findings reveal the perceived barriers to investment, the needs of potential investors, possible routes towards the establishment of a DDI fund and its possible positioning within the entrepreneurial ecosystem. It is argued that although there is an appetite for DDI in Wales, initially, attention should be given to issues surrounding knowledge transfer between actors within the Welsh entrepreneurial ecosystem and the diaspora before the structure, implementation, and management of a possible fund can be enacted.

## I. Introduction

Diaspora, citizens of a country living abroad, are now considered the “fourth development aid actors” (Mohamoud and Formson-Lorist, 2014). Investments from the diaspora have the potential to make a significant contribution to national development. Yet, initial analysis shows there are great variations in the degree to which a country engages with their diaspora. Wales is no exception. In recent years there has been an increase in interest in how the Welsh diaspora can support economic growth in the country. The Welsh government and a not-for-profit organization *GlobalWelsh*<sup>1</sup> are working to

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1 <https://globalwelsh.com/>

capitalize on the commitment Welsh diaspora have to their homeland to establish an adequate institutional framework that enables the diaspora to invest back in Wales.

Wales, a place shaped by its heritage and its people, is a country that has undergone dramatic political, economic, and social transformation in the last 40 years. The deindustrialization of specifically the Southeast coal-mining valleys of Wales has resulted in a need to overcome socio-economic issues relating to homogenization, commoditization, and urbanization. The Welsh, British, and European governments have identified the region as a potential hub for entrepreneurship as a means of regeneration.

Yet, the country has been classified as a slow performing area of the UK in terms of entrepreneurship (Jones and Henley, 2008; Jones and Colwill, 2013; Rhisiart and Jones-Evans, 2016) and issues of cooperation, region-specific economic and social issues, and deindustrialization have been the focus of most empirical research.

As Brooksbank, et. al. (2008) expressed, Wales is seen as a peripheral region, stating that in such regions, deindustrialization can result in outward migration and additional negative consequences such as fewer role models for the younger generation and limited employment opportunities as businesses leave such regions. This is one reason why harnessing the power of the diaspora is seen as crucial.

Developing diaspora engagement policies became an integral part of Welsh Government strategy in 2020, when they launched the *International Strategy for Wales*<sup>2</sup>. The strategy aims to raise Wales' profile in the world and recognizes the increasing role of the diaspora as a potential source of investments, innovation, business, and employment. While governments usually have basic factual knowledge about their diasporas, what they lack is more specific information that can help them develop specific diaspora policies. This includes aspects such as the socio-economic background, the degree to which they are tied to their home country, and the needs and wants of potential diaspora investors. This is where non-profit organizations can provide value.

Conducting a feasibility study to ascertain interest in DDI among the diaspora helps to predict the outcome of a potential scheme along with possible gain. The purpose of the feasibility study outlined in this paper is not to provide an exact solution to the problem of developing an initiative linked to

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2 <https://gov.wales/international-strategy-for-wales>

DDI but to provide a sense of its desired scope. During analysis of the scope different aspects of the organizations involved and the implementation costs and benefits are estimated. This study is the first of its kind to assess the feasibility of developing a DDI fund for Wales.

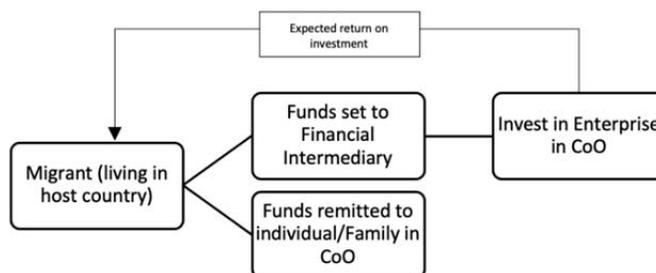
## II. Literature Review

### 2.1. Diaspora Finance

As soon as people start crossing borders, so does money. Diaspora are a potential source of talent and skills, and enablers of economic growth (Kuznetsov, 2010). Many countries have been working to better understand their diaspora and how they can harness their social and financial capital for the benefit of the home country. There are various engagement strategies used to reach out to the diaspora, these strategies are explicit and systematic policy initiatives aimed at developing and managing relationships between homelands and diasporic populations (Boyle, Kutchin and Ancien, 2009). It is through such strategies that initiatives such as DDI can be encouraged and managed.

In 2000, it was estimated that global remittance inflows were around \$125 billion, increasing to \$719 billion in 2019. These flows are what can be termed ‘productive investments’ (Asquith and Opoku-Owusu in Maček, 2021) as they help to generate value in the country of origin (CoO). Yet, it is not just remittances that are a source of diaspora finance, Diaspora Direct Investment (DDI) has a significant impact on economic growth. Research by Wei and Balasubramanyam (2006) uncovered that \$2.6 billion of the total \$10 billion of FDI invested in India between 1991 and 2001 originated in the diaspora (2006). Research by Lee (2013) also argued that in the Caribbean, business investments by the diaspora have a greater impact on development than sending remittances. Figure 1 shows the difference between diaspora remittance and investment.

Figure 1. Difference between Diaspora Remittance and Investment



Source: Author

According to Gelb, et.al. (2021:12), DDI differs from remittances in the following three ways:

- i. Diaspora investment is sent by members of a diaspora, that is, people living outside the

receiving country who maintain affective ties to that country, but who have not necessarily themselves emigrated from the receiving country.

- ii. Diaspora investment can be received by business enterprises, government organizations or non-government organizations in the receiving country.
- iii. Diaspora investment is a two-way exchange, involving the provision of a return on the investment with corresponding value from the recipient(s) to the sender(s), whereas remittances are a one-way transfer.

DDI is thought to be more stable than other types of foreign direct investment particularly during unfavorable economic conditions, because of the emotional connections of diaspora members to their country of origin. Research by Gillespie et al, (1999), found that due to their emotional ties to their CoO, individuals may accept lower returns and/or higher risk than they would for other investments. In relation to this, the diaspora often also has advantages in terms of the networks they inhabit. If the CoO has a strong diaspora network or a non-governmental or government initiative which sets out to connect members of the diaspora to CoO entrepreneurs, then the investor will have the knowledge necessary to function in the entrepreneurial ecosystem of not only their new country but also their CoO (Riddle & Brinkerhoff, 2011). There are generally considered to be three types of diaspora investment: equities (ownership shares in a private enterprise), loans, and bonds. They all have differing levels of return, differing levels of tradability and differing levels of risk and return.

An example of best practice can be seen in Chile which provides access to financial support through its Chile Global Angels<sup>3</sup> which is an 'angel investment' global network of around 25 members, including Chile-based, Chilean diaspora members and non-Chileans. In this system the members each make two or three investments per year of up to 500,000 USD in new Chilean start-ups. The network is a matching service, rather than a financial intermediary, and fills the gap between 'seed' capital and venture capital. In addition, the Fundación Chile program, created in 1976 worked to leverage the Chilean diaspora to help entrepreneurs. The foundation provided access to professional networks and venture capital, as well as mentorship, graduate placement, and entrepreneurial support programmes.

## **2.2. Research on the Welsh Diaspora**

There has been little research on the Welsh diaspora to date, particularly in terms of entrepreneurship and investment, however, it is estimated that the Welsh diaspora consists of approximately 3

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3 [www.chileglobalangels.cl](http://www.chileglobalangels.cl)

million people who are were either born in Wales, have Welsh ancestry, or who have a strong affinity to Wales through education or employment. Wales has produced significant population outflows conditioned by industrial modernisation and improved communications and transport (MacRaid, et. al. 2019). Moreover, the Welsh also colonised certain places leaving a lasting impression on the host nations. MacRaid argues that the Welsh together as a group are held together by their language, culture, customs, and mutual support of each other. There are over 3,000 individuals registered on the *GlobalWelsh Connect*<sup>4</sup> platform and numerous Facebook pages around the world bring the diaspora together via groups such as St. David's Societies, Friends of Wales pages and Welsh interest groups.

The most recent study of the Welsh diaspora was conducted by a Canadian-based digital anthropology company in 2020. The findings by Crouch (2020) found that Wales was the No.1 trusted Celtic nation and that the diaspora are '*educated*', '*professional*,' '*digitally-engaged*' '*travelers and seekers*.' The top traits associated with the Welsh are, '*clever*,' '*industrious*,' '*ethical*,' and '*tough*.' When perceiving the industrial landscape of Wales, the top industries associated with Wales were *manufacturing*, *tourism*, *electronics*, and *technology*. In general, it was found that the perception of the Welsh has changed over time. Table 1 highlights the keywords associated with Wales in 2008 and 2019.

**Table 1 Change in Perceptions of the Welsh**

<b>2008</b>	<b>2019</b>
<i>Poor</i>	<i>Sophisticated</i>
<i>Depressing</i>	<i>Learned</i>
<i>Uneducated</i>	<i>Adventurous</i>
<i>Dark</i>	<i>Ecological</i>

Source: Crouch (2020)

Specifically in North America, the Welsh diaspora, which is estimated to be 250,000, are highly educated, with 33% obtaining an undergraduate degree, 17% studying to post-graduate level and 11% studying to PhD. As expected, they are also considered to be in the high-income bracket. Therefore, there is a potentially wealthy diaspora community, albeit small, and they have a positive image of their CoO. Yet, how can we ascertain the level of engagement they desire to have with their home country, are they in a position to invest and what do they know about the Welsh entrepreneurial ecosystem?

<sup>4</sup> <https://globalwelsh.com/connect>

### III. Research Method

This study is a feasibility study. This is a structured way to assess the technical, social, financial, and environmental viability or practicality of a project and are used to make an informed decision about whether the project should be implemented (Hofstrand and Holz-Clause, 2009). This study is seeking to uncover, create, and share knowledge about the Welsh entrepreneurial ecosystem and interest in investment from the diaspora. The field of knowledge management focuses on ways to create, identify, distribute, represent, and enable adoption of knowledge (Nonaka, 1991; Staab et al., 2000). Only when information is being used for decision making of any kind, it becomes knowledge (Suministrado, 2004). Feasibility studies are intended to provide knowledge. Based on this knowledge, the eventual go/no go decision is made. To summarize, in this study the research topic is DDI, and the study is being conducted to seek answers to the following questions which will provide knowledge, achieve user involvement and commitment, support decision making, set parameters and develop specific goals moving forward. The research questions are:

RQ1: What is the current state of the Welsh entrepreneurial ecosystem?

RQ2: Is there an appetite for DDI investment in Wales among the diaspora?

RQ3: If there is an appetite, what kind of vehicle would facilitate a DDI fund?

The research takes a mixed methods approach (Table 2). Over the course of 18 months various policy documents and databases were analyzed to better understand the context of the Welsh entrepreneurial ecosystem.

Table 2 Data Sources

Document Analysis	Interviews, Focus Groups, Ethnography	Survey
<ul style="list-style-type: none"> <li>• Welsh Government White Papers</li> <li>• Statistical data from the ONS</li> <li>• Welsh media reports/financial and business analysis</li> <li>• Academic reports, case studies on Welsh entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>• Financial specialists</li> <li>• Entrepreneurs</li> <li>• Diaspora members</li> <li>• Educators</li> <li>• Members of local and national government</li> <li>• Board Members of <i>GlobalWelsh</i></li> </ul>	Survey of the Welsh diaspora conducted in November 2020

In addition, a survey was conducted on the Welsh diaspora and finally, interviews, focus groups, and online forums with key stakeholders were conducted to gain a deeper perspective of the issue. The author also had ethnographic access to high-level meetings to observe discussion. The results were analyzed and combined to illustrate the current context of the Welsh entrepreneurial ecosystem and the potential value of DDI.

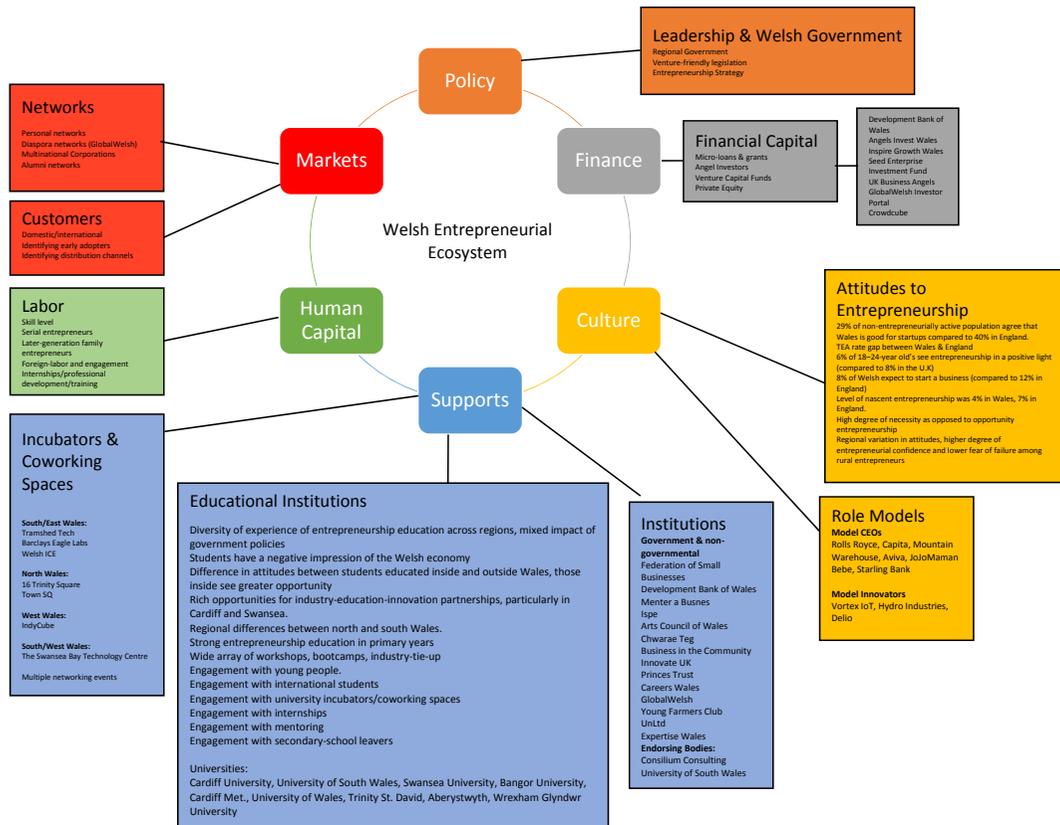
## IV. Results

### 4.1. The Welsh Entrepreneurial Ecosystem

Entrepreneurial ecosystems are combinations of social, political, economic, and cultural elements in a particular region that support the development and growth of innovative startups (Spigel, 2017). The ecosystem model devised by Isenberg (2011) illustrates the factors which comprise the ecosystem and how it evolves. The six factors in the model are idiosyncratic as they interact in very complex ways and, as Isenberg states, “are always present if entrepreneurship is self-sustaining” (2011: 7). In each country the combination of factors is unique, but for self-sustaining entrepreneurship to exist it is necessary to have policies which can sustain it, along with markets, capital, human skills, culture and supports. Each society must cultivate their own geographically-concentrated, holistic ecosystem that is created, enhanced, and cultivated by themselves. In Wales, there are four very distinct regions, which have their own ecosystems, yet for the purpose of this paper, we are exploring the ecosystem of the nation as a whole.

The following section maps the current entrepreneurial ecosystem in Wales as seen through the feasibility study, before highlighting where organizations such as *GlobalWelsh* could support the ecosystem (particularly in relation to the potential value of a DDI fund). The research outlines the current ecosystem as it relates to Isenberg’s model of an entrepreneurial ecosystem (Fig. 2) (2010, 2011) highlighting six factors: Policy, Finance, Culture, Support, Human Capital, and Markets.

Figure 2. Model of the Welsh Entrepreneurial Ecosystem



Source: Author (based on Isenberg, 2011)

To provide context, according to the BEIS Longitudinal Small Business Survey 2019<sup>5</sup>, SMEs account for 99% of businesses in Wales and provide 43.5% of employment and 35% of annual turnover in Wales. Almost half of these SMEs have been established for 20+ years and 14% within the last 5 years. Forty-nine percent of Welsh SMEs are in rural areas, 73% are family owned and 18.9% have no premises. Thirteen percent are female led and 12.7% are categorized as social enterprises. Prior to the start of the pandemic, 80% of SMEs stated they had made a profit between 2018-2019, yet 32% had no ambition to grow. Of the SMEs surveyed, 12.8% exported outside the U.K.

## Policy

State intervention to promote entrepreneurship was seen as an essential driver for the development of new businesses in Wales. Initially, the Welsh Government developed a *Prosperity for all:*

<sup>5</sup> The BEIS Longitudinal Small Business Survey provides a wide range of reliable data on Small and Medium Size Enterprise (SME) performance and the factors that are associated with this.

*Economic Action*<sup>6</sup> *Plan* which is designed to reinvigorate the economy through developing an entrepreneurial culture in Wales. A major section of the policy is the approach to education which consists of an action plan focused on raising general standards and developing a world-class education system. Several specific programs have since been aimed at developing young entrepreneurs; the *Youth Entrepreneurship Strategy*<sup>7</sup> (2010-2015) which was set up to help young people aged 5-25 with entrepreneurial skills and attitudes and *Big Ideas Wales*<sup>8</sup> (current policy approach), run by *Business Wales*<sup>9</sup>.

For the general population, *the Be the Spark*<sup>10</sup> initiative was established to stimulate and engage everyone in the Welsh entrepreneurial ecosystem to drive entrepreneurship across the whole country. Working with a mission and movement mentality, the Be the Spark Movement was derived from Wales' participation in the Massachusetts Institute of Technology's Regional Entrepreneurship Acceleration Program (REAP). The program helps each selected region to develop their own strategy for innovation-driven entrepreneurship based on connection and network building, the engagement and alignment of government, the corporate world, risk-capital, academia, and the entrepreneurial community.

In terms of the leadership and governance of policy, the Welsh government has also broken the country down into specific regions, the *Cardiff Capital Region*, the *Swansea Bay City Region*, the *Mid-Wales Growth Deal*, and the *North Wales Economic Ambition Board*. To date there have not been any joint meetings between these actors and the diaspora. Similarly, there does not appear to be a strong link between the diaspora and each international office of the Welsh government. There are currently 21 offices in 12 countries working to raise the visibility of Wales on the global stage. The offices are responsible for trade and investment, government relations, tourism, culture, and education. The lack of engagement between the diaspora and the international offices is seen as a missed opportunity to expand the ecosystem globally.

## **Finance**

Wales invests the least in innovation within the UK (OECD, 2021) it represented only 0.96% of its GDP in 2015, almost 1 percentage point below the UK average. Yet, when setting up a business,

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6 <https://gov.wales/prosperity-all-economic-action-plan>

7 <https://businesswales.gov.wales/bigideas/partnerarea/youth-entrepreneurship-strategy>

8 <https://businesswales.gov.wales/bigideas/>

9 <https://businesswales.gov.wales/>

10 <https://bethespark.wales/>

entrepreneurs in Wales have access to numerous funds. Information about these funds appears to be lacking from both the entrepreneur side and among potential investors. Various micro-loans and grants, Angel Investors, Venture Capital Funds and Private Equity funds are available and are shown in Fig. 2. Yet, recent statistics from the Welsh Government (2020) state that only one in five SMEs in Wales sought external funding in 2018-2019. It could also be argued that funding and compensation systems introduced by the government are categorized by a top-down approach that can result in inefficient use of financial resources.

### ***Culture***

Regarding attitudes towards entrepreneurship, the Global Entrepreneurship Monitor<sup>11</sup> 2020 found that 29% of the non-entrepreneurially active population agree that Wales is good for startups compared to 40% in England. In addition, 6% of 18–24-year old's see entrepreneurship in a positive light (compared to 8% in the U.K), 8% of Welsh expect to start a business (compared to 12% in England) and the level of nascent entrepreneurship was 4% in Wales, 7% in England. There is a high degree of *necessity* as opposed to *opportunity* entrepreneurship particularly in rural areas.

Although a culture of entrepreneurship in Wales is still lagging, there is a perceptible shift to a Welsh way of leadership. The CEOs of major companies such as Rolls Royce, Capita, and Mountain Warehouse are all Welsh. As are the founders of two new and innovative green energy companies, Vortex IoT and Hydro Industries and the founder of FinTech company Delio. The CEO of Halma, PLC, which was crowned Britain's most admired company, is Welsh, highlighting the caliber of Welsh approaches to leadership, a currently under-researched field.

### ***Supports***

There is a plethora of support organizations available to help Welsh startups. They range from large scale government bodies to smaller organizations who engage with entrepreneurs who have just left school. Yet almost 52% of SME in Wales do not offer training to their employees and 27.3% have no business plan (with 61% of microbusinesses having no business plan). According to the BEIS report, 25.6% of SMEs sought external advice from the government or private entities. Fig. 2 highlights the institutions (educational and others) incubators and coworking spaces within Wales.

### ***Human Capital***

Labour productivity levels in Wales are still among the lowest in the UK and below the average

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11 <https://www.gemconsortium.org/>

level of Northern and Western European OECD regions. In 2018, labour productivity in Wales was approximately USD 65 000 (in 2015 PPP). This level of labour productivity is also low if compared to most Northern and Western European regions.

Across the UK, regions with a high-skilled labour force show higher levels of labour productivity. With only 38% of its labour force having tertiary education, Wales displays levels of productivity around USD 65 000. On the other hand, Scotland and Greater London, with 48% and 59% of their labour force having tertiary education, reach levels of labour productivity above USD 77 000 and USD 110 000 respectively.

Considering human capital and entrepreneurship, Fig. 2 shows the areas within which more research is necessary. There needs to be further investigation into the impact of the skill level of entrepreneurs, the motivations and entrepreneurial journeys of later-generation family entrepreneurs, the impact of foreign-labor and engagement and the role of internships, professional development, and training.

### ***Markets***

Finally, in terms of markets, networks and customers are the final pieces of Isenberg's ecosystem model. Regarding networks, Welsh entrepreneurs tend to rely on their personal networks, networks within multinational corporations (or businesses they may have previously been employed by) and alumni networks. The diaspora networks are still not being fully utilized but this is where *GlobalWelsh* can assist. Similarly, entrepreneurs have mainly domestic customers, but diaspora organizations can help introduce international customers and identify early adopters and distributions channels that people in the CoO may not be able to access.

### **4.2. The Typology of an Entrepreneur in Wales**

We have outlined the environment in which an entrepreneur can function, but little is known about the type of entrepreneurs engaged in Wales. This study has identified six types of entrepreneurs in Wales. Table 3 provides a description of each type. The typology was developed by attempting to ascertain the level of knowledge and experience each entrepreneur would have when setting up a business and consequently their perceived needs. Graduate entrepreneurs were divided into two categories because graduates in Wales, due to the location of their university and the networking opportunities provided by their institutions, would be privy to more information pertaining to funding, government programs, etc. than those outside Wales, possibly giving them an advantage and more knowledge of business development in Wales. Similarly, there is also a difference between

Expert and Experienced entrepreneurs, with the Expert type having more international experience.

Table 3: Typology of Entrepreneurs in Wales

<b>Typology</b>	<b>Description</b>
Expert	<ul style="list-style-type: none"> <li>• Experience setting up multiple companies in the U.K. and/or overseas</li> <li>• Experience working and trading internationally</li> <li>• Experience as an investor</li> <li>• Experience as a mentor/advisor to aspiring entrepreneurs</li> <li>• Well-networked in international business scene</li> </ul>
Experienced	<ul style="list-style-type: none"> <li>• Experience setting up a company in Wales or the U.K.</li> <li>• Well-networked in the Welsh business scene</li> </ul>
Graduates (Wales)	<ul style="list-style-type: none"> <li>• Graduate from a Welsh university (undergraduate or higher)</li> <li>• Experience setting up (or aspiring to set up) a business in Wales within 5 years of graduation</li> <li>• Well-networked among graduates in the Welsh business scene</li> </ul>
Graduates (Returning Diaspora)	<ul style="list-style-type: none"> <li>• Graduate from a university outside Wales (undergraduate or higher)</li> <li>• Experience setting up (or aspiring to set up) a business in Wales within 5 years of graduation</li> <li>• May be well-networked in their locales</li> </ul>
Aspiring (Local)	<ul style="list-style-type: none"> <li>• Welsh or resident of Wales aspiring to set up a business in Wales</li> <li>• Inexperienced in business development</li> <li>• Driven by circumstance (unemployed, redundant) and/or spots a niche in the local market</li> <li>• May be well-networked in a niche area</li> <li>• May lack access to a business mentor</li> </ul>
Aspiring (Returning Diaspora)	<ul style="list-style-type: none"> <li>• Welsh not currently residing in Wales but aspiring to return to Wales to set up a business.</li> <li>• Inexperienced in business development in a Welsh context (may have experience in host country)</li> <li>• Driven by desire to return to Wales and/or spots a niche in the Welsh market</li> <li>• May be well-networked in the host country but likely to lack a strong network and/or mentor in Wales</li> </ul>

Source: Author

The development of any type of DDI fund needs to carefully consider what *type* of entrepreneur would benefit most from the development of a fund. It is not recommended to take a catch-all approach and offer funds to 'anyone' but to develop clear criteria to decide who should have priority access to such funds and communicate that clearly to all stakeholders. Of most importance is to

hone a clear message to potential fund recipients outlining what support they are entitled to receive and more importantly *how* they can access this.

#### 4.3. Appetite for a DDI fund?

We now have an overview of the ecosystem and the type of entrepreneurs active within it, but who are the potential investors? This section presents the results of the survey. A survey was conducted online using *SurveyMonkey* in October – November 2020. The survey was sent directly to 3,000 members of the Welsh diaspora and the rate of completion was low at only 5% (156). However, the survey asked members to identify themselves as either a Sophisticated Investor (SI) or High-Net Worth Individual (HNWI) therefore it was expected that the number of respondents in such a category would be relatively low compared to the general diaspora population. Eighty percent of respondents categorized themselves as Welsh by origin (either born or by ancestry) and the remainder Welsh by association (either lived, studied, work in Wales or have a strong affinity to Wales). Twenty-two percent of respondents work in the finance industry, 48% are already investors. Fifty-one percent of respondents currently live outside Wales.

Initially, it is important to ascertain what incentivizes individuals to invest in Wales (Table 4).

Table 4 Incentives for Investing in Wales and Welsh Businesses

Incentive	Percentage
Sense of duty/pride for Wales	78.2%
To invest in social/economic development	63.4%
Benefit friends and family	25.6%
Improve personal circumstances	13.4%
No incentive	6.4%
For retirement	5.7%
Gain political influence	1.9%

Source: Author

In addition, some respondents also commented on their desire to return to Wales to “*start a business before [they] retire*” therefore, being involved in a DDI project would enable them to “*improve business networks there as well as support enterprise development in the region*” (R:83).

Regarding into what industries the HNWI/SI are interested in investing, 50% are interested in tech startups. Yet, other fields of interest were life-science and MedTech (26%), software (21.7%), Environmental (15.2%), Cyber Security (8.7%), A.I. (8.7%) and Manufacturing (4.35%). There were no respondents interested in investing in semi-conductors which is considered a growth area by the Welsh Government. Most respondents (62%) were keen to invest in projects that reflect some

ethical or social good.

In terms of amount the HNWI/SI were prepared to invest, 28% stated they would likely invest 15,000 or more GBP, 21.9% stated more than 20,000 GBP, 11% more than 50,000 GBP and 11.5% more than 100,000 GBP. Twenty-six percent were interested in investing in smaller amounts. The total potential investment fund amount is projected to be around 2 million GBP. Aside from financial investment, several respondents also stated that they were “*not in a position to invest financially per se*” but would support in other ways such as “*creatively developing brand strategy and brand identity*” or with “*heaps of spirit*” (R:13).

To summarize, the survey found that there is an appetite among the diaspora to invest in startups in Wales. The potential investors are likely to be male Welsh expatriates, living outside Wales. They have a sense of pride and duty towards the economic revitalization of Wales. They are interested to invest more than 15,000 GBP, in the foreseeable future. They don't have a strong preference for a particular industry but would prefer to invest in a company based in Wales that fulfils the values of ESG. They expect financial return for their investment and would also like recognition (in terms of tax benefits) for their contribution.

#### **4.4. The Typology of a Potential Investor in Wales**

Similarly, we can develop a typology of potential investors in Wales (Table 5). There is a breadth of investor diversity and the key moving forward is how to match investors and entrepreneurs.

Table 5 Typology of Potential Investors in Wales (based on Lin, 2015 and data findings)

<b>Typology</b>	<b>Description</b>
Reasonable (Wales-based) Investor	Often retail investor, rational actor, wants to maximize returns, capable of understanding situation in Wales, somewhat passive, longer-term investor, average wealth, based in Wales, seeking UK tax benefits
Reasonable (Diaspora-based) Investor	Rational actor, wants to maximize returns, lacks some understanding of situation in Wales, information gaps, somewhat passive, longer-term investor, average wealth, based outside Wales, seeking tax benefits (as an expat)
Irrational Investor	Does not always understand information before deciding, swayed by emotion/interest in Wales, short-term investor, optimistic, confident investor, high wealth
Active (Wales-based)	Active and wants to exert influence on the future of businesses in and economy of Wales, wants influence on a company board, favors a dynamic ownership style, seeks short term returns, high frequency of investment, high wealth
Active (Diaspora-based)	Active and wants to exert influence on the future of businesses in and economy of Wales to return to Wales in the future, wants influence on a company board, favors a dynamic ownership style, seeks short term returns, high frequency of investment, high wealth
Sophisticated (Wales-based)	Above-average wealth, includes not only individuals but also investment banks, hedge funds, etc., based in Wales, ambivalence regarding degree of involvement in the business, knowledgeable about the Welsh investment and start-up landscape
Sophisticated (Diaspora-based)	Above-average wealth, includes not only individuals but also investment banks, hedge funds, etc., based in Wales, ambivalence regarding degree of involvement in the business, lack of knowledge about Welsh investment opportunities and start-up landscape
Entity	Non-human institutional investors (public/private) (hedge funds, mutual funds)

Section IV has shared the findings of the research, including the types of actors in the Welsh entrepreneurial ecosystem and the potential interest in a DDI fund.

## V. Discussion

This section will discuss the barriers and enablers of a DDI fund, based on the research and will present an assessment of the feasibility moving forward.

### 5.1. DDI Fund Barriers

The research uncovered perceived and actual barriers to the establishment of a DDI fund (Table 6).

Table 6. Perceived Barriers to Investing in Wales

Perceived Barriers to Investing in New Businesses in Wales (in order of concern)	Percentage
Lack of information about companies which need investment	53.2%
Poor economic performance of Wales	36.2%
Excessive red tape	20.9%
Lack of trust in organizations managing investments	18.5%
No perceived obstacles	18.5%
Weak legal framework/environment	8.6%
Taxation issues	5.6%
Too far away to manage investments	5.6%
Unable to find a business which matches my interests	5.6%

Source: Author

In addition to the data from the survey above, the focus groups and interviews revealed three predominant barriers to investing in Wales: poor knowledge transfer, lack of confidence in the Government, and poor institutional alignment.

There is a perceived lack of “*commitment*” (R:94) and support from the “*erratic*” (R:81) Welsh Government for aspiring entrepreneurs among HNWI and SI surveyed. Respondent 48 cited, the “*poor quality environment driven by years of the handout economy*” as a major barrier to the desire to invest. The study found that specifically weak leadership, in particular, “*deeply commercially inexperienced local government*” (R:5) and a “*lack of trust in local government economic policy*” (R:3) were significant barriers. Therefore, potential investors would not want to align a DDI fund too closely to the government. One part of the attraction of a possible DDI fund is its private nature (R:5). Additionally, the question of Welsh independence is also contentious, with one respondent stating, “*Wales needs to be independent of England/Westminster before I'd ever consider any investments*” (R:130).

The interviewees and focus groups describe poor institutional alignment. With the “*right hand not knowing what the left hand is doing*” (R:24) it is perceived that despite there being many institutions which provide support, there is a lack of collaboration between them as a group and between them and other stakeholders within the ecosystem, such as financial institutions and educational institutions. The higher education system came under criticism from the respondents. There is a perceived “*lack of business education, lack of talent, and entrepreneurial culture in Welsh education*” (R:53). Similarly, there is also a perceived “*lack of public/private/university partnership opportunities*” (R:47) or if there are, they are not well publicized, especially to the diaspora. As such, particularly regarding tech, there is the “*perception that Wales is not a tech investment sweet spot*”

(R:6).

Despite there being other investment institutions in Wales, such as the Development Bank of Wales, they have a perceived, “*parochial approach*” to investment (R:11). Some respondents felt that the current institutions did not conduct “*due diligence with start-ups*” (R:143) and could not recommend investments. To do so requires “*real forums for discussion*” and “*better visions of new business support ideas and actual worth*” (R:128), thus it could be concluded that there is also a communication gap in this context.

## 5.2. DDI Fund Enablers

The following section highlights the factors stakeholders perceive to be enablers to the development of a DDI fund (Table 7)

Table 7 Perceived Enablers to Investing in Wales

<b>Enabler</b>	<b>Percentage</b>
Economic incentives to encourage the diaspora	39%
Greater government recognition of the role that the diaspora plays	18.2%
Forums to share more information privately between investors and stakeholders	18.2%
Nothing would further motivate me to invest	14.2%
Improved technology to facilitate investment	7.9%
Incentives that would enhance my social status of influence with the government	1.5%

Source: Author

From the focus groups and interviews, trust and collaboration emerged as dominant themes when discussing enablers for DDI fund development.

Investors are looking for someone whom they can trust to run a DDI fund, such as a “*fund manager with an excellent track record*” (R:7) someone with “*expertise and performance history*” (R:5). In cross border investment careful intermediation is necessary. There will inevitably be more than one national regulatory framework at play and various transaction costs between all stakeholders and risks involved, as such, the role of the financial intermediary needs to be carefully considered.

Linked to trust is the feeling of collaboration between actors and improved knowledge transfer between actors. Investors need “*forums to bring diaspora investors and entrepreneurs together*” (R:132). Some investors are “*not convinced the expertise exists in Wales to make astute investment decisions*” (R:82) and desire to be able to collaborate more with people in Wales to be able to

witness the “*expertise*” and bring it “*on board*” in a collaborative way.

As well as collaboration between actors, it is also seen to be important to include a charitable arm to discussions surrounding investment. Investors are very keen to invest in projects that have a strong tie to the social and economic good. As one respondent stated, “*there are many people in Wales who are considered poor and not attractive to typical investors, they have talents and skills which can contribute to the Welsh economy*” (R:139). Charity based organizations support them in the form of small loans - but the demand is high, and they need more philanthropic financial support to do this (which could be derived from the diaspora).

### **5.3. Moving Forward – Assessment of Feasibility**

To summarize, we have ascertained the entrepreneurial ecosystem and actors working within it, next based on the findings of the research, this section puts forward a menu of potential options of how to harness the power of the diaspora for direct investment into Wales. Table 8 lays out the options.

Table 8 Menu of Options

	<b>Option</b>	<b>Description</b>
1	<i>GlobalWelsh</i> Diaspora Tech Start-up Fund	A fund run entirely by <i>GlobalWelsh</i> which collects funds from the diaspora and invests them into Wales-based tech projects. The fund operators are usually diaspora members who mobilise equity finance from their diaspora to invest in businesses in the country (or countries) of origin. Also draws in on other value-added services, such as mentoring. Could facilitate increased brand recognition on <i>GlobalWelsh</i> , fits mission but lack of experience and resources an issue, risk to reputation and possible lack of confidence of investors.
2	<i>GlobalWelsh</i> Diaspora Syndicate	An investment vehicle that allows diaspora investors (introduced by <i>GlobalWelsh</i> ) to co-invest with reputable investors in the best startups in the market. <i>GlobalWelsh</i> shares the knowledge between all parties, Syndicate leaders are business angels with vast experience in selecting investment opportunities. Co-opt expertise through operating partner networks. The syndicate leaders are members of an elite group of <i>GlobalWelsh</i> . The investors are members of the diaspora, knowledge is brokered via <i>GlobalWelsh</i> .
3	Welsh-Transnational Investment Fund Corporate	A parent firm owned by diaspora members and incorporated in their country of destination (or a third country) which invests in Welsh projects.
4	<i>GlobalWelsh</i> Crowdfunding Diaspora	<i>GlobalWelsh</i> sets up and runs a platform where any members of the diaspora can share their businesses (both inside and outside Wales) and can seek investment via a crowdfunding platform. Members of the diaspora can donate to verified Welsh diaspora projects on a rolling basis.
5	<i>GlobalWelsh</i> Diaspora Investor Connector	<i>GlobalWelsh</i> does not handle any funds but works as a cultural and knowledge broker between members of the diaspora, angels, etc., and businesses seeking investment.

Source: Author

The above options are clearly very different in scope and require different resources. A clear understanding of fund management, governance structure, and approaches to deal evaluation are critical to the development of any fund (options 1,2,3,4), therefore, option 5, a Connector, may be the preferred route.

Essentially the main issue illuminated by the research is a lack of knowledge transfer. Knowledge itself is seen as diaspora finance mechanism. Knowledge transfer in a diaspora context views skilled

migration as contributing not only economically but also intellectually and socially (Meyer and Brown, 1999). Knowledge is a type of 'social remittance' (Levitt, 1998 : 927) where "ideas, behaviours, identities and social capital that flow from receiving to sending countries." This can also be classified as 'soft knowledge' (Siar, 2013). Social capital in this context is found within networks, in this case, the networks of the diaspora and people within the diaspora and within the CoO can use these networks for mutual advantage, stimulating knowledge transfer. As was found in this study, an individual's sentimental ties to their CoO are a strong motivation to engage in knowledge transfer, therefore, it could be argued that the remittance or 'diaspora investment' in this instance should not be economic but social. *GlobalWelsh* is uniquely positioned to use their *Connect* network to bring value. In this way, the organization can ensure global representation and knowledge transfer. It is at this point that technology becomes an important asset and actor in moving forward.

To address the initial research questions, the Welsh entrepreneurial ecosystem is well developed in terms of actors, yet it is the connections between these actors which makes the ecosystem weak and thus if it is weak within Wales, it will inevitably mean that communication and connection with the diaspora is lacking. Although the research found that there is an appetite for DDI investment in Wales among the diaspora, the parameters are quite narrow and there is a lack of expertise, knowledge, and collaboration, among the main actors within the ecosystem to facilitate the establishment of a fund. Therefore, in response to research question three, although five vehicles have been suggested, it appears to be premature to develop a full DDI fund. The critical first step is to better engage all the actors in collaboration and increased communication to facilitate knowledge transfer, preferably through the *GlobalWelsh Connect* platform.

## VI. Conclusion

To summarize, this study has presented an overview of the Welsh entrepreneurial ecosystem. It has shown there are potential diaspora investors willing to engage with the ecosystem however, there are significant knowledge transfer issues between those who have the potential to invest and those who need investment. In addition, there is also a sizeable knowledge gap between diaspora organizations, government, financial organizations, and support institutions. A diaspora organization such as *GlobalWelsh* has the potential to fill these gaps by connecting all stakeholders, yet to facilitate this, there is a need for transparency, trust-building, development and sharing of resources between all parties. A DDI fund could change the investment landscape of Wales and support the next generation of entrepreneurs but is the development of a fund the correct use of time and resources in the current climate? The results of this study argue that before a DDI fund is developed for Wales, time and effort should be dedicated to facilitating connections, building networks, and

specializing in knowledge transfer, as greater value will be found in the 'social remittance' of the diaspora.

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