

Returnee entrepreneurs and the institutional environment: case study insights from China

Institutional
environment

207

Jan Henrik Gruenhagen

*School of Management, Queensland University of Technology Business School,
Brisbane, Australia*

Received 30 November 2017
Revised 16 March 2018
2 June 2018
Accepted 13 July 2018

Abstract

Purpose – The purpose of this paper is to investigate the phenomenon of returnee entrepreneurs, their venturing efforts and the impact of the institutional environment they operate in, and thereby to propose a conceptual model depicting how returnee entrepreneurs create and operate new ventures and interact with the institutional environment.

Design/methodology/approach – This study followed a multiple case study approach based on data collected from in-depth inquiries into 11 returnee entrepreneurs and their ventures in China which was analysed inductively.

Findings – Analysis of case study data resulted in a conceptual model of returnee entrepreneurs illustrating micro-level characteristics of the phenomenon and the interplay with the institutional environment of an emerging economy. Insights from the case study are discussed in terms of implications for entrepreneurial motivations, human and social capital, estrangement from the home country, internationalisation behaviour and objectives of returnee-owned ventures.

Originality/value – Previous research on the phenomenon of returnee entrepreneurs is highly fragmented and has largely focussed on specific and isolated outcomes. This study offers a holistic inquiry contributing to a better understanding of the phenomenon as a whole and presenting key properties of the phenomenon.

Keywords China, Entrepreneurship, Emerging economies, Returnee entrepreneurs

Paper type Research paper

Introduction

The global mobility and flow of highly educated migrants has raised more and more attention as an important phenomenon (Zweig *et al.*, 2006). In particular, the reverse migration from industrialised to emerging economies has attracted a growing interest among entrepreneurship researchers (Liu *et al.*, 2015). For decades, many developing and emerging economies have had to struggle with a “brain drain” of talents endowed with high education. However, many of those who once left their home countries for work or education return back facilitating a “reverse brain gain” or a “brain circulation” (Liu *et al.*, 2015; Saxenian, 2005; Zweig and Wang, 2013). While some returnees aim for dependent employment in their home countries, others utilise their knowledge and skills acquired during their stay overseas to become an entrepreneur in their home country (Zweig and Wang, 2013). Several of these returnees have emerged as business elites in a variety of sectors and important role models in their home countries (Liu and Xing, 2012; Zhang *et al.*, 2011). Thereby, these individuals are suggested to contribute to the economic development of emerging economies and to become important change agents (Bruton *et al.*, 2008; Kenney *et al.*, 2013). Yet, scholarly inquiry into the phenomenon of returnee entrepreneurs has only recently begun and research is still limited (see Liu *et al.*, 2015). The objective of this study is to investigate the phenomenon’s actors, their venturing efforts and the impact of the institutional environment the actors operate in.

To date, research on the phenomenon of returnee entrepreneurs is highly fragmented and has largely focussed on specific and isolated aspects or outcomes; leaving knowledge gaps and a lack of a shared understanding of the phenomenon. The present study follows an exploratory approach allowing an open investigation of the phenomenon under a tentative



International Journal of Emerging
Markets
Vol. 14 No. 1, 2019
pp. 207-230
© Emerald Publishing Limited
1746-8809
DOI 10.1108/IJoEM-11-2017-0504

theoretical framework as a means to discover emerging themes of relevance. An approach utilising case studies is particularly useful for investigating “a contemporary phenomenon in its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident” (Yin, 1981, p. 59). By following an open investigation and a comprehensive approach, this study aims to contribute to the small stream of literature on returnee entrepreneurs and to a better understanding of the phenomenon as a whole. The structure of this study is as follows: first, a review of relevant literature and theoretical frameworks for the investigation of the phenomenon is presented. Second, the methodological approach for this research is explained. Third, based on the insights from cases, a model of returnee entrepreneurs’ venture creation and the interplay with the institutional environment is proposed. Finally, insights and their implications are discussed and related to relevant literature.

The results of this study expand the literature on the phenomenon of returnee entrepreneurs by proposing a conceptual model of returnee entrepreneurs and their interplay with the institutional environment. More specifically, the study enhances knowledge about motivational processes among returnee entrepreneurs, the role advanced human capital gathered overseas plays for motivational processes and venture operation, their brokerage with social capital, how returnee entrepreneurs seek to overcome disadvantages faced due to estrangement, and how they are impacted by formal and informal institutions. In doing so, this study also draws links between individual, firm and macro level. Overall, the study highlights important facets and questions relevant for the enquiry into the phenomenon of returnee entrepreneurs; opening up a stream of potential research opportunities for investigating specific aspects of the phenomenon.

Literature review

This section first presents an overview of the literature on the phenomenon of returnee entrepreneurs to introduce into the subject matter and context under investigation. Second, relevant theories are reviewed to introduce a preliminary theoretical framework that will guide the empirical investigation of the phenomenon. The theoretical framework presented is tentative to allow an open investigation of the phenomenon (Eisenhardt, 1989; Yin, 2011).

The phenomenon of returnee entrepreneurs

Returnee entrepreneurs are “scientists and engineers returning to their home countries to start up a new venture after several years of business experience and/or education in another (developed) country” (Drori *et al.*, 2009, p. 1006). Early examination of the phenomenon of returnee entrepreneurs emerged within the migration and economics literature (see Athukorala, 1990; Ilahi, 1999). According to previous findings, experience from overseas suggests a positive impact on the probability of being self-employed in the home country (McCormick and Wahba, 2001; Thomas and Inkpen, 2013). This positive effect of experience in another country appears to be more distinct for returnees with higher education and high-level skills (Gubert and Nordman, 2011; McCormick and Wahba, 2001).

Only recently has the phenomenon gained some attention within the entrepreneurship and international business literature. One catalyst was observations by Saxenian (2006) on migrant entrepreneurs from Silicon Valley who returned to their home country and engaged in entrepreneurial activities. These actors were able to transfer knowledge to their home countries (Saxenian, 2006). Key determinants for the success of these returning entrepreneurs were social network relations, high education and contextual factors like political stability and an entrepreneurship-friendly environment in the home country. Since the beginnings of research into returnee entrepreneurs, most research has focussed on isolated aspects of the phenomenon rather than approaching a more holistic enquiry into the phenomenon.

A respectable stock of research on returnee entrepreneurs has revealed important insights into different aspects of the phenomenon. These studies emphasise the importance of social ties and networks for the creation of returnee-owned ventures. Despite presumed benefits due to international networks established overseas, local networks are seen as crucial for venturing efforts in the native country (Pruthi, 2014; Qin and Estrin, 2015). This is not limited to professional networks, but also extends to personal ties and relationships (Farquharson and Pruthi, 2015). Likewise, different types of human capital endow returnee entrepreneurs with a stock of knowledge and skills that may contribute to triggering the venture idea and to different aspects of operating the new venture (see Bao *et al.*, 2016; Hagan and Wassink, 2016; Wright *et al.*, 2008; Zhou *et al.*, 2016; Zweig *et al.*, 2006). However, while advanced human capital and international networks may endow returnee entrepreneurs with an advantage, they are assumed to also face disadvantages due to a lack of local social capital and perceived readjustment difficulties upon returning home (Dai and Liu, 2009; Li *et al.*, 2012; Lin, Lu, Liu and Zhang, 2016; Ojo, 2017). A number of studies also compared returnee to local entrepreneurs. These studies found various differences, such as how returnee and local entrepreneurs cope differently with uncertainty (Liu and Almor, 2016), how they differ in terms of formality and informality (Lin *et al.*, 2015), or highlight the differences between female returnee and domestic entrepreneurs (Alon *et al.*, 2011).

Less research has focussed on internationalisation activities undertaken by returnee entrepreneurs. Within this research stream, studies have primarily focussed on the export orientation of returnee-owned firms (Filatotchev *et al.*, 2009; Prashantham and Dhanaraj, 2010). Studies found that experience from having been overseas has the potential to foster internationalisation activities (e.g. Bai *et al.*, 2017). Likewise, only a small stream of research has investigated multi-level relationships and/or between the micro-level phenomenon and the macro-level environment. This research concluded that returnee entrepreneurs have a favourable impact on innovation, job creation and the development of an entrepreneurial culture (see Avle, 2014; Hausmann and Nedelkoska, 2018; Tynaliyev and Mclean, 2011). Other research, however, suggests that returnee entrepreneurs' impact on social change is of a rather modest nature (Dahles, 2013). Single studies have also focussed on institutional support mechanisms and the relevance of social capital for acquiring funding (Armanios *et al.*, 2017).

Theoretical background

Building upon previous literature on the phenomenon, different theoretical perspectives partially explain different aspects of the phenomenon. Accounting for the exploratory nature of this research, the following paragraphs introduce a tentative theoretical framework conducive for the holistic exploration of the phenomenon. In particular, the elaboration of theoretical frameworks focuses on social capital theory, human capital theory, internationalisation theories and institutional theory. The development of a preliminary theoretical framework assists to shape the scope of enquiry (Eisenhardt, 1989; Yin, 2011).

Social capital theory

Social capital theory focusses on the importance of social networks and ties to gain benefits (Portes, 1998). The theory can provide insights into the venturing efforts undertaken by returnee entrepreneurs. More specifically, the theoretical notion indicates to be of relevance for the phenomenon of returnee entrepreneurs considering international networks accumulated during their time spent overseas as well as local networks sourced from their domestic relationships. For new ventures in particular, initial ties have been found to be influential (Zhou *et al.*, 2007). Returnee entrepreneurs' initial ties are frequently sourced and developed from and during their stay overseas (Dai and Liu, 2009; Liu, Lu, Filatotchev,

Buck and Wright, 2010). Networks sourced from international experiences of an entrepreneur facilitate extending contacts across national borders (Madsen, 2013). The founders of an organisation are the main suppliers of network ties and, hence, social capital of the firm (Arenius, 2002). The international new venture framework implies that international networks are a determinant for early internationalisation activities (Oviatt and Mcdougall, 1994). Not only formal networks such as sourced from business or education, but also informal networks through personal contacts play a role for the internationalisation process (Coviello and Munro, 1995). These networks can facilitate the access to international opportunities and markets and help to overcome a liability of foreignness (Arenius, 2002). Previous research on returnee entrepreneurs investigated the impact of networks and ties accumulated during their time overseas on venture creation, venture performance, or innovation (Dai and Liu, 2009; Li *et al.*, 2012; Liu, Wright, Filatotchev, Dai and Lu, 2010; Pruthi, 2014; Qin and Estrin, 2015). Scarce studies of returnee entrepreneurs also suggest an impact of these networks and ties on internationalisation activities (Filatotchev *et al.*, 2009; Prashantham and Dhanaraj, 2010).

Human capital theory

Human capital theory proposes that individuals possess an accumulation of skills and knowledge that can be developed over time and results in more productive activities (Becker, 1993). In contrast to local entrepreneurs, returnee entrepreneurs possess human capital in the form of knowledge and skills acquired overseas (Li *et al.*, 2012). This knowledge may not only comprise technological knowledge, but also knowledge about foreign markets, language, culture and business practices (see Qin *et al.*, 2017). Entrepreneurs with a larger stock of prior knowledge due to international work experience or education are also more prone to follow internationalisation activities in the early ventures stages (Clarke *et al.*, 2013; Oviatt and Mcdougall, 2005). They are argued to have the necessary skills to operate in foreign markets (Reuber and Fischer, 1997), and hence pursue international opportunities (Oviatt and Mcdougall, 2005).

Internationalisation theories

Endowed with international experiences and international networks, returnee entrepreneurs are presumed to create and operate entrepreneurial ventures with an international orientation and outlook (Cumming *et al.*, 2015; Kiss *et al.*, 2012; Lin, Mercier-Suissa and Salloum, 2016). However, research-based empirical evidence on the internationalisation of returnee-owned firms remains limited (Cumming *et al.*, 2009). Previous research suggests that returnee entrepreneurs with their international background and international networks foster export orientation and performance of new ventures (Filatotchev *et al.*, 2009). These returnees transfer knowledge to emerging economies and based on their experiences they drive the internationalisation path of a new venture; adding advantages to returnee-owned new ventures compared to local ventures (Filatotchev *et al.*, 2009). Particularly, social capital accumulated during their international experiences suggests to facilitate the international growth of returnee entrepreneurs' ventures (Prashantham and Dhanaraj, 2010).

Within the research stream on international new ventures, networks and international experiences are seen as important antecedents of early internationalisation activities (Mcdougall *et al.*, 2003). In contrast to domestic ventures, international new ventures "from inception seek to derive a significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt and Mcdougall, 1994, p. 49). Internationalisation activities conducted by new ventures comprise different modes and forms such as traditional exporting activities, but also international licensing, the import of resources and the transaction of knowledge (Oviatt and Mcdougall, 1994). While traditional international business research has focused on firms following a stage-based internationalisation process

beginning with culturally and geographically close markets (Johanson and Vahlne, 2009), international new ventures are international at very early stages; facilitated by the capabilities of the entrepreneur (Acedo and Jones, 2007; Oviatt and McDougall, 1994).

Institutional theory

Institutional theory describes the formal and informal macro-level settings that shape the framework for returnee entrepreneurs (see Ahlstrom and Bruton, 2006; North, 1990; Scott, 2007). Formal institutions include rules, regulations and laws, whereby informal institutions relate to normative behaviour, conventions or cultural aspects (North, 1990; Urbano and Alvarez, 2014). The institutional framework determines the overarching setting for returnee entrepreneurial activities which can both enable and constrain entrepreneurial activities (Urbano and Alvarez, 2014). In the context of emerging economies, formal institutions are frequently unstable and underdeveloped leaving institutional voids (Puffer *et al.*, 2010). These voids are often overcome by informal institutions in the form of building networks with key stakeholders; both from the government and from the industry (Bruton *et al.*, 2010; Peng and Luo, 2000; Puffer *et al.*, 2010). However, a reliance on informal institutions may pose particular risks especially in the longer term (McMillan and Woodruff, 2002). Accordingly, a well-balanced level of both formal and informal institutions would foster entrepreneurship (see Bruton *et al.*, 2010).

Returnee entrepreneurs have been exposed to different institutional environments during their time overseas and subsequently after returning to their home country; this may lead to potential conflicts when interacting with the environment – for example, concerning the relative importance of formal and informal institutions. Previous research suggests that returnee entrepreneurs have a beneficial impact on emerging economies (see Kenney *et al.*, 2013). However, this might be dependent on the arrangement of the institutional framework and as to how returnees allocate their entrepreneurial activities; such as in terms of productivity or formality (Autio and Fu, 2014; Baumol, 1996). Likewise, returnee entrepreneurs may act as institutional entrepreneurs and influence structures and the macro-level environment (Bruton *et al.*, 2010; Levy and Scully, 2007).

Thus, this study draws on social capital theory, human capital theory, internationalisation theories and institutional theory to explore the phenomenon of returnee entrepreneurs and address the following research question:

RQ1. How do returnee entrepreneurs with their human and social capital create and operate new ventures and interact with the institutional environment?

Method

This study follows a qualitative research design employing an exploratory case study approach in order to address the research objective (Yin, 2011). The rationale for the choice of the methodology is that it facilitates an open investigation of the phenomenon by incorporating the context; thereby relevant themes can be discovered throughout the course of the study (Amit and Zott, 2001; Edmondson and Mcmanus, 2007). While the investigation remains open, inquiry is guided by previous literature and different theoretical lenses, which serve as an orientation of the initial design of the study (Eisenhardt, 1989). The research design followed a multiple case study approach applying replication logic to allow more robust findings (Yin, 2003). In-depth inquiries into 11 returnee entrepreneurs and their new ventures were conducted for this study.

Study setting

China was chosen as the context for the study of returnee entrepreneurs for two reasons. First, the increased global mobility of Chinese students results in a high number of returning students who engage in entrepreneurial activities in China (see Filatotchev *et al.*, 2011).

Second, China is a suitable laboratory considering the status as an emerging economy which runs different programs and initiatives to attract overseas students and professionals back to China in order to foster entrepreneurship (see Zhao and Zhu, 2009; Zweig and Wang, 2013). Thereby, it was feasible to collect rich data on returnee entrepreneurs and their acting within the institutional environment. All returnee entrepreneurs and their new ventures are located in Chengdu, Sichuan Province. The city was chosen because it recently announced to increase policy efforts to foster returnee entrepreneurship and the city hosts an incubation centre for returnee entrepreneurs making data collection more feasible.

Sampling

Sampling for obtaining access to returnee entrepreneurs involved a purposive and snowball approach (Malhotra, 2006). Two strategies were followed in order to establish contact with returnee entrepreneurs as potential participants in this study. The two strategies had the objective to liaise with returnee entrepreneurs who start their venture within a hi-tech zone and with returnees who undertake venturing efforts outside such a business incubator. Therefore, Chengdu Hi-Tech Development Zone (CDHT) was approached with the aim to obtain access to returnee entrepreneurs starting their ventures within their incubator for returning students. Additionally, snowball sampling was used to establish contact with returnee entrepreneurs operating outside of the hi-tech zone. Therefore, extensive networking was necessary in order to compile a unique sample for this study. The final sample comprises of 11 returnee entrepreneurs. Table I summarises basic characteristics.

Data collection

Data collection was based on a case study protocol, which served as a guide for the collection of research data (Yin, 2003). The collection of primary data mainly involved interviews with a series of open-ended questions, structured by different topic areas. Due to the exploratory nature of this research project, relevant methodological literature was followed intending to engage in a fluid but guided conversation allowing to understand the interviewee's opinions and insights crucial for an in-depth examination (Yin, 2003). During the interviews the following areas were broadly addressed and covered: returnee entrepreneurs and their social and human capital in the background of their overseas experience; returnee entrepreneurs and their new ventures; if applicable the environment of the hi-tech zone and business incubator; the broader institutional environment; and the objectives of the returnee-owned venture. To facilitate open and unbiased conversations, the interviewees were guaranteed anonymity. Interviews were audio-recorded and then transcribed verbatim. If the respondent did not agree to be audio-recorded, notes were taken during the interview.

During the research visit in Chengdu additional data sources were utilised. Informative conversations with representatives of Chengdu hi-tech zone were conducted to gather information on support schemes, tenants of the business incubator and the environment for returnee entrepreneurs in general. Additionally, field visits were made to different locations of the hi-tech zone as well as to public events for entrepreneurs and start-ups in Chengdu. Furthermore, secondary data were approached including company websites, government websites and newspaper articles. Relying on multiple sources allowed data triangulation aiming to increase credibility and validity of the study (Yin, 2003).

Data analysis

Data analysis followed an inductive approach within the tentative framework of the previously applied theoretical lenses and the overarching research question (Eisenhardt, 1989; Yin, 2011). At the first stage, interview transcripts and interview notes were repeatedly read line by line to strengthen the familiarity with the data. Next, interviews were coded in order to organise the data in terms of similar codes within and across cases (Saldaña, 2012).

| Domestic education | Overseas country | Overseas education | Overseas work experience | Years spent overseas | Year of start-up | Business purpose | No. of employees | Start-up within hi-tech zone |
|--|------------------|--|---|----------------------|------------------|--|------------------|------------------------------|
| 1 Bachelor (engineering) | Australia | Master (engineering); master (management) | Jobs in law firm, investment and sales | 8 | 2014 | Mobile software development | 5 | Yes |
| 2 Bachelor and master (computer science) | Canada and USA | PhD (computer science) | Research assistant, automation company | 13 | 2014 | Industry automation | Unknown/ refused | Yes |
| 3 IT | Japan | - | IT | 0.5 | 2013 | Wireless charging of electronic devices | Unknown/ refused | Yes |
| 4 Bachelor (electrical engineering) | Canada and USA | Master and PhD (electrical engineering) | Medical image processing | 13.5 | 2011 | Medical image processing | 24 | Yes |
| 5 Bachelor (electrical engineering) | USA | Master (electrical engineering and computer science) | - | 2 | 2015 | Social media mobile app | 7 | Yes |
| 6 Bachelor (english literature) | USA | Certificate (hospitality management) | Internship in hospitality | 1 | 2014 | Organising internship and summer abroad programs in South West China | None | No |
| 7 - | Australia | Bachelor (applied finance) | Market consultant; trainee in Australia | 3 | 2015 | ebusiness/app to connect sellers and buyers | None | No |
| 8 Bachelor (biology) | Australia | Master (ICT) | Development of own websites | 2 | 2011 | Development of B2B software | 50 | Initial support only |
| 9 Bachelor (electronic science) | UK | Double degree with Chinese university | - | 2 | 2014 | Online sale of clothes | 4 | No |
| 10 - | Canada | Bachelor (economics) | - | 4 | 2012 | Mobile games | 15 | No |
| 11 Bachelor (Chinese literature) | Australia | Master (communication) | Journalist, tutor | 4 | 2013 | Education provider (profit and non-profit) | 3 | No |

Table I.
Characteristics of returnee entrepreneurs interviewed

Coding was done manually as well as with the help of the software NVivo 10. Categories and overarching themes were established emerging from the data. Data analysis was an iterative process, constantly going back to the data and cycling between data, codes and categories. Cross-case analysis facilitated exploring patterns and themes in the data (Yin, 2003). The iterative process of coding and data analysis facilitates cycling between data, literature and theories which allows to refine and relate findings (Santos and Eisenhardt, 2009). At the final stage, data analysis with the emerged themes facilitated the development of a tentative model of returnee entrepreneurs' venture creation and the interplay with the institutional environment. The model is proposed in Figure 1.

Insights from the case analysis

The proposed model addresses the study's research question as to how returnee entrepreneurs with their particular human and social capital create and operate new ventures and interact with the institutional environment. The model derived from the insights from the case study analysis is structured in sequential order on the individual and firm level, both of which are embedded in the institutional environment. Logically, model and presentation of results commence with the individual entrepreneurs' characteristics and motivations, then sequentially move towards their start-up efforts, followed by the further development of their new ventures. These sequential processes occur within the formal and informal institutional environment. While the conceptual model depicts a temporal sequence, it cannot and does not intend to propose any causality.

The data analysis providing the foundation for the model points to characteristics and capital of returnee entrepreneurs, which endow them with knowledge and skills beneficial for the entrepreneurial process. However, data suggest that they also face disadvantages due to their absence from the home country for which they seek remedy. Analysis indicates that returnee entrepreneurs have been shaped by their overseas experience and that knowledge gain and personal change are related to the approach how they create and operate new ventures. It also provides insights as to how returnee entrepreneurs interact with the institutional environment.

The following sub-sections report the findings for each of the model's constituents and present exemplary quotes from the interviews conducted with returnee entrepreneurs. The section's structure follows the sequential nature of the model by starting on the micro- and firm-level, moving from returnee entrepreneurs' characteristics and motivations, over start-up efforts, to business development. Subsequently, the focus is on the macro-level formal and informal institutional environment. However, since the insights into returnee entrepreneurs do not always make it feasible to fully discriminate between micro and macro levels as well as in terms of the process of venture creation, some of the upcoming sections overlap regarding the levels and stages discussed.

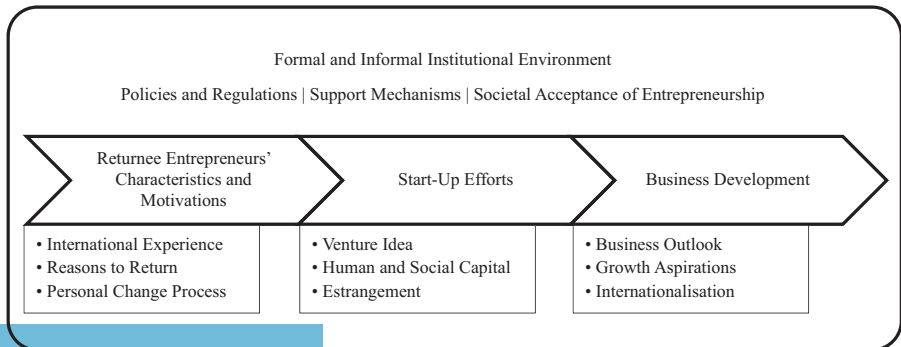


Figure 1. Returnee entrepreneurs' venture creation and the institutional environment

Returnee entrepreneurs' characteristics and motivations

Data from the case-based study indicate how international experiences, their impact on the individual entrepreneur and their reasons to return are interrelated and influence the venturing efforts. Overseas experiences endow returnee entrepreneurs with human capital in terms of technological knowledge, professional skills, cross-cultural capabilities and business models. Data suggest that the time spent overseas also involves personal change processes. Interviewees indicate that they were exposed to a “reverse cultural shock” when returning to their home country resulting in a phase of re-adaptation. Personal change processes, however, also broaden the returnee’s horizon in terms of new ways of thinking, creativity and the ability to combine perspectives and approaches sourced from two culturally and institutionally different environments. Case study data suggest that reasons to return involve push and pull factors. While some returnees are pulled by perceived viable business opportunities, a favourable economic development, a growing market demand and personal motivations, others are pushed to return due to perceived unfavourable conditions and liabilities in the host country. Overall, interviewees reported their overseas experience as valuable and beneficial for their professional and personal development; even though some faced difficulties due to a different environment and culture. Many of those interviewed report that – apart from their actual studies – they learned about differences of cultures and to combine their “Western” and “Chinese” way:

I really think my experiences are broad and seeing people there how they market, and the innovation, they gave me a lot of great ideas and I use those things for doing business in China. It is really helpful; it gives me a lot of ideas from another side while I also understand the Chinese way of operating a business.

The cases in the study exhibit a diverse range of time spent overseas. Returnee entrepreneurs studied and/or worked in another country from half a year to more than 13 years. Within and cross-case analysis suggests that the time they spent overseas is related to a variety of other factors. In particular, returnee entrepreneurs who spent a long time overseas appear to have adapted more to the host country’s culture than those who spent only a fairly short time in another country. Similarly, those having been overseas for a long time report difficulties to re-adapt in their home country and appear to have lost local networks in their home country. This loss appears to result in an estrangement from the home country; creating hurdles for the venture creation process. Interviewees believe that they did not only bring back experiences from overseas, but that they also changed personally. In particular, interviewees who stayed abroad for many years mention a “reverse cultural shock” and that they need to personally re-adapt to China:

I lived in the US for 13 years, so kind of adapted to the culture over there [...]. When I came back to China I got a brief depression during that period of time because the things are so different.

Overall, returnees see their personal change as positive. Some reported that they became more open-minded due to their stay overseas, took a different way of thinking with them, or learned how to think in a creative way. Others report the benefits of being endowed with two perspectives and the ability to combine their “Western” and “Chinese” way.

The reasons for overseas students and employees to return to China are diverse and at times intertwined. Interviewees reported that personal reasons motivated them to return to China; for example, family, partner and friends still live in China. Others mentioned that they see viable business opportunities in China; due to the economic development, market demand, availability of venture capital and potential support by the government. Sometimes a local partner attracts returnees back offering network support and funding. Also the returnees’ technological expertise can be a reason for deciding to come back to China; to introduce technology which is new to the Chinese market. Another reason is that

interviewees did not feel comfortable and did not adapt for the long term in their host country due to a different culture and lack of contacts.

Start-up efforts

Insights from the interviews suggest that experiences from overseas are an important trigger for the venture idea. Overseas experiences may trigger the venture idea because returnees recognise products or services overseas which are not yet broadly available in their home country's market. In the context of highly skilled returnees this frequently involves technologically advanced products and services. Consequentially, highly skilled returnees who are engaged in the development or research on advanced technologies appear to recognise the chance of bringing this technology into their home country and create demand for this technology.

However, data also suggest that the venture idea is not necessarily triggered during the time period overseas. Some cases reported that they discovered or were actively seeking a business opportunity after return; or they rather came across an idea by accident. Networks and relationships appear to play an important role for the creation of a business idea. While the idea may only emerge after return, overseas experiences still appear to be valuable for the further development of the idea. Compared to local networks the availability of international networks plays a more subordinate role for most of the interviewees. However, data suggest an importance of international networks for the venture idea and the start of the entrepreneurial venturing process. If returnees possess international contacts they are sourced from their previous study and work experience abroad. Those contacts can act as a trigger for the venture idea or being kept to ask for advice for the current business.

Human and social capital are important constituents for seeking funding for the operation of a returnee entrepreneur's venture. Those who are based within a hi-tech zone have the advantage of having easier access to financial capital for their venture due to the social capital that accompanies being a tenant of a hi-tech zone. Partially, the hi-tech zone itself provides funding, or it can act as an agent to facilitate access to funding. Contrarily, those entrepreneurs outside of a hi-tech zone tend to feel more pressure imposed by their investors to generate revenue within a short time-frame. In contrast, companies within the hi-tech zone appear to have less pressure which allows them to focus on the long-term development of their products and services:

The major concern for a developer is not the money. It is do my job in high quality. If every developer thinks like that I think we come up with the high-level product. So we are not just a follower, we can become an explorer. [...] My investor is patient, so I am patient. If other people push me, I have to push my fellow. Then we probably can come up with a product in short time, and push that to the market and get some revenue, but that is not my destination. I don't want this. What I want is much bigger. [...] We need to have this kind of long-term attitude to do the R&D job.

A liability in terms of human and social capital that many returnee entrepreneurs have to face is a degree of estrangement from the home country owing to longer periods of absence. This results in a lack of knowledge of local markets, a lack of local networks, and some extent of unfamiliarity with local norms and customs. Interviewees adapted to culture and lifestyle in their host country and after coming back they realise that a lot of things have changed in China. Important to notice for starting up a business is the lack of local contacts which play a crucial role for doing business in China. In order to overcome this burden many returnees were seeking local partners to enter business and government networks:

[I found] some local people knowing the local customers, the business opportunities, and they have connections. So I think this is important. [...] That is why we have this local partnership, trying to figure out something I could not figure out.

Accordingly, most of the interviewed returnees have started their venture with at least one partner; some have several partners who run the company together. In many cases those partners bring complementary skills and may help to overcome a liability of estrangement after return. In particular, highly technically specialised returnees choose a partner with complementary skills and local knowledge to access viable business networks. As indicated by interviewees, local networks – or *guanxi* – are essential for doing successful business in the context of China. A local partner can ease access to these crucial networks:

Guanxi is the word, the businessmen know that. I have the ability to open a business, to be a manager, but maybe I have not enough ability to deal with the *guanxi*.

Insights from the data analysis suggest that returnee entrepreneurs integrate experiences from overseas when operating their new venture. Study and work experiences appear to have an influence on leadership, management styles and business culture. Respondents reported that their overseas experiences have impacted on different dimensions of operating a venture such as how they try to motivate employees, how they manage their firm or how they define the objectives of their firm. New ventures opened within a hi-tech zone are – as expected – focussing on business model and industry involving advanced technology and innovative developments. Also those ventures opened outside of the hi-tech zone are frequently related to technology, but also operate in less high-potential industries such as education or sales. Cases from high-tech industries report that they particularly focus on research and development (R&D). Data suggest that highly skilled entrepreneurs bring their knowledge from overseas to found an innovative company which gains a competitive advantage by dedicating most resources to R&D:

For the past couple of years we focussed on research and development. We do not have manufacturing, we do not have marketing, we just put our eyes on the research job. We do the hardware development, do the software implementation and we conduct lots of clinical trials in hospitals. At this time the majority of my people is in R&D. Probably next, we will start the marketing job, so we will have some new fresh air coming.

Support by the hi-tech zone as well as a division of labour with the help of a local partner appear to facilitate that the returnee is able to focus on innovative developments. Similarities in the data emerged as to how important the cases evaluate an advanced quality of their products and services. Most cases in the study, even if still at the beginning, have created jobs by employing others. Those employees are mainly related to the core business – e.g. software development – or complement the skill set.

Business development

Insights from the case analysis indicate that returnee entrepreneurs within hi-tech zones exhibit a certain degree of patience in terms of the development of their business. At the first stage, they tend to focus on the development of their products and services followed by marketing efforts in order to acquire customers and eventually become profitable. Overall, these ventures hope to gain a competitive advantage and a long-term market share by providing high quality products and services. A long-term outlook for the business development focussing on growth is partially facilitated by support schemes and government assistance. Returnee-owned ventures outside of industry clusters tend to aim for a faster pace in order to rapidly earn revenue and make profits. Factors influencing growth aspirations also depend on business model and industry. Some cases appear to be primarily motivated by their internalised interest in

development and innovation, rather than focusing on the business side aiming to accumulate as much profit as possible:

We are trying to do a technology-driven company. We develop products, provide value to our customers. That is my core. I think if that changes the company does not exist, and maybe I start just looking for a job.

If I can only do a small business, let it be. I do a small business, I can have the cash flow support the whole system; that would be fine. So I can do something I am truly interested in and then deliver values to industry, to our customers; that is what I am trying to do.

During their early stages of business development, returnee-owned ventures from the sample primarily focus on the domestic market environment. However, there is also an indication of different dimensions and extents of internationalisation activities. Data analysis suggests, though, that these internationalisation activities and aspirations are more of an inward than an outward nature. Returnee-owned ventures engage in several types of inward internationalisation activities. In terms of R&D, new ventures cooperate with foreign firms to develop new products and services. Knowledge is transferred from overseas to the domestic environment. These linkages are often connected to and evolved from previous international experiences and networks of returnee entrepreneurs. Thereby, human and social capital forms the basis and trigger for further cooperation and inward cross-border activities complementing and extending the movement of individual human capital of the returnee entrepreneur.

Furthermore, returnee-owned ventures provide service and consultancy for overseas-based customers. These activities are in particular prevalent among ventures within high-tech industries. Similarly, these business activities naturally evolved and developed from previous international experiences and networks of returnee entrepreneurs. Following case-study data, new ventures did not appear to actively plan acquiring new customers overseas; rather they maintained professional networks formed overseas and continue providing services after having returned to their home country. Thereby, they utilise their expertise and reputation to provide, for example, technical services or consultancy for overseas companies; complementing their domestic business activities:

Because I worked over there for eight years and I know a lot of customers and some systems I developed. I guess if they are having some troubles I am the right person to call. So they are calling me for consultancy.

Another venture in the sample followed a business model heavily relying on inward internationalisation activities. This company offers education and tourism services in China for overseas-based customers. The services are provided in the domestic market but exclusively target overseas customers who eventually cross borders in order to make use of the services. For example, the company acts as an agent for internships and summer-abroad programs. Another type of inward internationalisation activity is the import of goods from overseas-based suppliers, which are subsequently being used for the development and production of products offered by the returnee-owned venture in their domestic market.

Indication of outward internationalisation activities in the case-study sample remains scarce. Data analysis shows that most ventures target and operate within the domestic market, to some extent utilise inward internationalisation activities but largely refrain from engaging in outward internationalisation. One type of outward internationalisation is the provision of services to overseas-based customers. One case developed a mobile phone application that is distributed overseas and targets customers who are based in foreign countries.

Case study analysis suggests that future outward internationalisation is not a main focus of business development among the sample. Interviewees emphasised their focus on the

domestic market primarily due to an expected high domestic market demand, which they aim to satisfy first. Outward internationalisation, on the other hand, frequently is associated with obstacles and barriers that are not worth tackling at an early stage given promising opportunities in the domestic market:

Doing international business is very costly. You have to travel internationally, that is a lot of cost when you are in this stage. And right now we do not have a mature product. The communication cost is pretty high for international business. So right now we focus on the domestic market.

However, while it is currently not of a major concern, interviewees do not rule out future outward internationalisation activities. Analysis suggests that, if any, these outward internationalisation activities would follow and complement activities in the domestic market; rather than being capitalised on in the very early stages.

Formal and informal institutional environment

Insights from the case study analysis suggest that the formal and informal institutional environment with its policies and regulations, support mechanisms and the level of acceptance of entrepreneurship have a considerable impact on returnee entrepreneurs' start-up efforts. As indicated by interviewees and secondary data, recent changes in the informal environment have enhanced the societal acceptance of entrepreneurship. While a position in an established and well-known corporation used to be the most desirable career choice for overseas returnees, entrepreneurship has become more and more reputable and accepted. Additionally, external enablers on the macro level such as government support schemes and business incubators within an entrepreneurship ecosystem made start-up efforts more feasible and desirable. This appears to have a favourable impact on the motivation and intentions of returnees to start their own venture. On the other hand, returnee entrepreneurs need to overcome formal institutional voids.

Findings show that the Chinese Government is particularly interested in attracting highly skilled overseas students and professionals back and encourage them to start up their own business. A range of programmes has been set up which support returnee entrepreneurs with start-up funds. Data point out that the government has recognised the value returnee entrepreneurs can bring into the economy. Those cases in the study who are supported by the government describe the support as extremely valuable in particular at the beginning of the venturing process. They tend to heavily rely on governmental help through different support plans:

The government has different levels of this plan. [...] The government national level, provincial level, city level and Hi-Tech Zone level. I got three levels already. I push my stuff to the highest level, the national level. Hopefully next year if I get some revenue from my new products I hope I can get the highest level plan support for me. And also for the company. The plan they provide lots of resources for me, like money.

A subordinate level of government support is the support offered by business incubators for returning overseas students within hi-tech development zones. Approximately half of the cases in this study have started their ventures within the hi-tech zone under investigation and receive support and assistance. At the time of data collection between 700 and 800 start-ups were located in Chengdu Hi-Tech Development Zone mainly in the areas of IT, biotechnology and medicine. The hi-tech zone offers support in terms of office space free of charge or at a reduced rate, start-up funding, training schemes and networking opportunities. Similar to support on the national level, the support administered by the hi-tech zone helps returnee entrepreneurs particularly in the first stages of their ventures and gives them some freedom to focus on the development of their products and services. Data also suggest that besides the monetary

support, assistance in terms of networking and creating a favourable image are perceived as valuable:

We need the clinical trial in hospital and they can just provide some connections for me, networking. They provide this networking. At this time at the beginning we do not know anybody in hospital and we do not know how to start and we do not know how the clinical standards are; we are just engineers. The government provides this kind of networking for us. They just bring big guys from hospital and say this company is one of our plan, we support them. They are brilliant people and they have a brilliant idea and probably will generate a lot of profit for people and country and themselves.

Also this park provides an image for you. Your business address over here, if you look at your card, you know that this is some legitimate stuff, not just some random small company.

Findings suggest that the perception of entrepreneurship has changed in the society and being an entrepreneur is seen to be more and more favourable. On the one hand, the government encourages to become engaged in entrepreneurial activities which are perceived as a legitimation. On the other hand, successful and celebrated entrepreneurs in particular from e-businesses act as a role model and their success increases legitimation of entrepreneurial activities:

Probably 10 or 20 years ago the target of highly trained people is to work in big company and get well paid, the white collar. But now the situation is different. Probably the reason is first the government pushes people to start their own company. Also there are some demonstrations from other successful company managers who run their own company and also the atmosphere because in the society, from the society, people around me are willing to start their own company. Actually lots of people get success. And also they get good example from other people. I can feel from the whole society that people think it is the time to start-up my own company and I am able to do that, I have the ability to do that, so why not. This is a very good atmosphere for the time being.

Besides an enhancing societal acceptance of entrepreneurship and various support mechanisms, interviewees indicated that policies and regulations within the formal institutional environment have become more favourable; for example, in terms of business registration procedures and protection of intellectual property. However, a weak IP protection is still a major concern of many returnee entrepreneurs:

It is not well protected. We are constantly being exploited by other companies. So if we deliver products they are trying to start from it, to duplicate and copy it. So we are kind of careful.

Registering for IP protection does not work. You only need to be faster and faster, make better user experience, get more users, and win this competition. People would copy anyway.

While returnee entrepreneurs operate within the institutional environment, insights from the case study also suggest an impact of returnee entrepreneurs on the institutional environment in terms of economic and societal factors. Many returnee-owned ventures engage in research-intensive industries and, hence, move forward the development of innovations. Additionally, most cases in this study created employment in the early stages of their venturing efforts. Besides productive outcomes, data analysis also points towards rather unproductive entrepreneurial activities. Informal institutions such as networks and *guanxi* appear to facilitate circumventing rules and regulations; for example, in order to reduce the tax burden. On the societal level, data suggest that returnee entrepreneurs can act as change agents by introducing new cultural and societal perspectives. Interviewees and secondary data also indicate that returnee entrepreneurs can act as role models increasing the societal acceptance of entrepreneurship.

Discussion

Data analysis points to patterns and relationships that depict how returnee entrepreneurs with their characteristics operate in terms of creating and running their new ventures and

how they interact with the institutional environment. Those patterns and relationships offer insights and indicative illustrations of the phenomenon of returnee entrepreneurs in the context of emerging economies. The conceptual model that emerged from the qualitative analysis exhibits characteristics and capital of returnee entrepreneurs which impacts on their start-up efforts in the home country and as to how they operate their new ventures. Human capital gained overseas, frequently in the form of technological knowledge, may shape the venture idea. Social capital, sourced both internationally and domestically, is utilised for start-up efforts and the development of the venture. The conceptual model also depicts liabilities returnee entrepreneurs face due to their absence from the home country and a potential estrangement thereof. This relates to a lack of local knowledge and networks, and cultural estrangement from the home country. However, the findings point towards means as to how returnee entrepreneurs overcome these disadvantages. In particular, returnee entrepreneurs seek local partners with complementary skills to support their venturing efforts and to overcome a lack of local social capital. Additionally, meso-level institutional support from business incubators is sought in order to gain legitimacy for venturing efforts and to re-localise into the domestic environment.

Findings from the study as incorporated into the conceptual model also demonstrate interactions between the macro and individual level. While entrepreneurial activities have been more and more encouraged by normative and regulatory institutions, returnee entrepreneurs need to overcome institutional voids, such as in the form of insufficient protection of intellectual property. Likewise, returnee entrepreneurs may utilise institutional voids in order to gain advantages for their ventures. The study suggests that returnee entrepreneurs may follow different paths with their ventures in terms of rather productive or unproductive entrepreneurial activities. Key insights from the analysis are further discussed in the following sub-sections.

Reasons to return: push and pull motivations

Analysis suggests that the reasons to return for returnee entrepreneurs are a multi-faceted concept. A variety of reasons and motivations appears to be related to the decision to return and to start-up a new venture. First, personal ties in terms of family, partner and friends are a pull motivation to return to the home country. Second, the perceived favourability of market, economy and business opportunities are an additional pull motivation. Third, as a distinct reason, the knowledge about a technology that is new to the home country market appears to motivate overseas students or professionals to return back. Fourth, data suggest a push motivation; that is, returnees perceive to be disadvantaged in terms of starting a business in their host country or report difficulties to adapt to the host country environment. Empirical insights emerging from this study, therefore, reflect different notions of motivation theories. Insights from the case study data show that motivational processes are intertwined and potentially nested. While some returnees may aspire an entrepreneurial career and subsequently identify a business idea, others may have a business idea at hand which triggers pursuing an entrepreneurial career path (see Bhave, 1994). The latter in particular appears to be the case for highly educated overseas students who – endowed with advanced knowledge from their stay overseas – translate this knowledge into a viable business idea in their home country. These motivational patterns and processes are supported by previous enquiries into the sources of returnee entrepreneurs' venture ideas (see Zweig *et al.*, 2006).

Likewise, empirical insights from this study add to a theoretical distinction between opportunity and necessity motivation (Reynolds *et al.*, 1999); and push and pull motivation, respectively (Verheul *et al.*, 2010). Opportunity entrepreneurs are motivated by a business idea they perceive as promising in terms of economic gain, while necessity entrepreneurs start their own business due to a lack of alternatives (Reynolds *et al.*, 1999). While this study

can only present a retrospective enquiry into start-up motivations, it suggests that both opportunity and necessity, or push and pull, motivations are prevalent among returnee entrepreneurs. An important role, again, plays the actual or perceived availability of a viable new venture idea. This may translate into a pull or opportunity motivation to return home and start a new business.

Case study insights demonstrate that returnee entrepreneurs are not a homogenous group of actors. Returnees endowed with advanced technological knowledge acquired overseas appear to be more inclined to utilise this for entrepreneurial endeavours out of the perception of having a viable opportunity – rather than being pushed into entrepreneurship as a last resort. This adds an important human capital variable to the theoretical processes of entrepreneurial motivations. The human capital component of advanced knowledge accumulated overseas may facilitate following the path of an “opportunity entrepreneur”. Likewise, it also suggests that returnees endowed with advanced knowledge may follow the motivational route of possessing a solution to a problem which then triggers a business idea (Bhave, 1994).

While the case-based study offers some insights into the reasons and motivations to return, it cannot entirely depict the relative importance and how those reasons are intertwined with each other. However, greater clarity would be desirable since it would offer insights as to how governments would need to design effective policies to attract talents back and influence the intention to return home and start a new venture. Similarly, it would give insights into how governments of host countries could prevent a brain drain.

Returnee entrepreneurs’ human and social capital

Insights from the case study emphasise the relevance of human and social capital in the form of international ties and knowledge particularly during the early stages of venture creation. This is in line with previous literature on the phenomenon of returnee entrepreneurs, which suggests that the distinct capabilities and knowledge accumulated overseas are utilised for the venture creation process in the home country’s market (see Li *et al.*, 2012; Liu, Lu, Filatotchev, Buck and Wright, 2010; Liu, Wright, Filatotchev, Dai and Lu, 2010). Technological knowledge acquired overseas is transferred to the domestic market and acts as a trigger for the venture idea. Following previous research, this advanced knowledge does not necessarily need to be related to the latest international technology, but a technology new to the domestic market is sufficient (Zweig *et al.*, 2006). Thereby, returnee entrepreneurs are agents for knowledge transfer across country borders (see Lin, Lu, Liu and Zhang, 2016).

Insights from this study show that international networks are primarily seen as a source of advice, support and ideas. Returnee entrepreneurs maintain their networks with prior overseas contacts in order to gain benefits for their ventures. This study adds to the theoretical assumption that intensity and magnitude of social capital change over time. Particularly in the early phases of venture creation, returnee entrepreneurs appear to rely on bridging social capital in order to access their international networks and exploit these ties for realizing their venture idea (see Putnam, 2001). The intensity and magnitude of these ties, however, appear to diminish over time. Rather, returnee entrepreneurs switch over to relying on domestic networks in their native country environment. However, these processes expose returnee entrepreneurs to particular challenges as brokers of social capital. While the bridging social capital to their overseas networks fades, their bonding social capital in their native country needs to be rebuilt since once they left their local community this valuable and formerly established source of social capital tends to be destroyed (see Portes, 1998).

Estrangement and strategies to mitigate estrangement

Consequently, returnee entrepreneurs may suffer from estrangement from their home country. Findings from previous studies demonstrate that returnee entrepreneurs may face

disadvantages after return due to a loss of local knowledge and networks (Li *et al.*, 2012; Wahba and Zenou, 2012). While individuals tend to expect challenges when adapting to a host country – for example, when going through stages of acculturation (Gillespie *et al.*, 2010) – difficulties of a re-acculturation upon returning home may be rather unexpected, since they presume to come back to a familiar cultural context (see Martin, 1984).

However, data also suggest that the acquisition of a local partner can act as a remedy for estrangement. A lack of local networks and knowledge about the local market can be substituted by partnering with locals who are familiar with the environment and the market, and who can ease access to information and networks. These local partners possess complementary skills and assist the returnee to overcome disadvantages in terms of local knowledge and ties owed to their time overseas. Thereby, ventures partially owned by a returnee entrepreneur synthesise advantages from international experiences and knowledge with advantages of possessing local knowledge and networks. It is, therefore, argued that returnee entrepreneurs who spent a considerable time overseas are better off seeking support from a local partner to mitigate potential disadvantages. This is, on a firm level, supported by international business literature when investigating firms' internationalisation and market entry efforts (Lu, 1998). Data point to another means to overcome disadvantages; which is being located within a hi-tech zone. This institution appears to act as an intermediary to overcome disadvantages and help to "localise" the returnee entrepreneur. Consistent with applying a context-incorporating view on cultural and institutional settings, the establishment of networks and social ties for facilitating support and idea exchange can be based to a greater extent on informal networks and ties. Following different cultural understandings and perceptions, informal relationships may be seen as sufficient in the context of China, whereby actors in western countries would require more formal networks and ties (Lin *et al.*, 2015; Rottig, 2016).

Internationalisation

Case study insights suggest that the perception of business opportunities is strongly related to the domestic market rather than to perceived international opportunities. Returnees are attracted by a favourable economy, availability of capital and market demand. Consequently, it is suggested that returnee entrepreneurs do not systematically start a new venture with an international orientation despite their internationally influenced human and social capital. While these factors theoretically have an impact on the propensity to be "born global" or an international new venture (Oviatt and McDougall, 1994; Rennie, 1993), returnee entrepreneurs appear to have a primary focus on the domestic market due to promising opportunities with ample growth prospects.

While individual human and social capital related to overseas experiences of the founder play a key role for venture creation, actual cross-border business activities remain rather limited. Data suggest that firms in their early stages primarily engage in inward internationalisation (see Bianchi, 2011; Fletcher, 2001; Welch and Luostarinen, 1993). Single cases utilise importing from overseas-based suppliers or engage in inward internationalisation of consumer services by offering services to overseas consumers. Analysis points out that the scope of inward internationalisation is frequently linked to previous international networks and experiences of the founders.

This study demonstrates that outward internationalisation, on the other hand, does not play a major role during the young firm stage or is limited to a vague intention. Despite their international networks and experiences, returnee entrepreneurs appear to be hesitant to engage in outward internationalisation fearing costs and barriers of international business; despite presumed knowledge and ties related to overseas markets. Partially consistent with the international new venture framework (Oviatt and McDougall, 1994), returnee-owned firms are international from inception; however, largely in terms of inward

internationalisation activities. In terms of outward internationalisation, they may rather follow a traditional stage-based process (see Johanson and Vahlne, 2009). This is partially due to expected barriers to internationalisation and mainly on account of a sufficient domestic market demand.

Insights from this study add to the stream of literature that emphasises the need for a refined view on internationalisation activities by highlighting and differentiating between inward and outward internationalisation activities (Fletcher, 2001; Welch and Luostarinen, 1993). Traditionally, research on internationalisation has strongly focused on outward links such as exporting (Welch and Luostarinen, 1993). In line with other authors it is argued that firms are also international by engaging in inward-driven internationalisation activities (Fletcher, 2001). In terms of returnee entrepreneurs, these inward activities are frequently associated with the flow and transfer of human and social capital from overseas to the domestic market. As suggested by previous studies (Fletcher, 2001; Welch and Luostarinen, 1993), outward internationalisation activities may be linked to and build on inward internationalisation. This study, therefore, suggests that returnee entrepreneurs are a distinct case in terms of new venture internationalisation; determined by their international experience and the context they operate in.

Objectives of returnee-owned ventures

Analysis indicates that overseas experiences shape the objective returnee entrepreneurs follow for their business. In particular high-tech ventures tend to focus on R&D and the creation of an innovative long-term business activity. This appears to be valuable for an emerging economy in order to allow for a shift from the factor-driven over the efficiency-driven to the innovation-driven developmental stage. Entrepreneurial activities are seen as a mechanism for this economic shift (Acs *et al.*, 2008). Consequently, it is supposed to be in the interest of an economy and its institutional framework to foster this type of entrepreneurship.

The institutional environment and its interplay with the individual returnee entrepreneur appears to be a diverse and multi-faceted theme. Analysis points out that while entrepreneurs willingly accept support for their business venture, there also appears to be a culture to circumvent rules and regulations if it is perceived as being beneficial for one's own venture. Weaker formal institutions in an emerging economy may allow the exploitation of benefits via informal institutions (see Ahlstrom and Bruton, 2006). This may have implications for the allocation of entrepreneurial activities. While data suggest that in particular high-tech ventures aim for a productive allocation in terms of innovation and creation of employment, others may attempt to engage in rent seeking and the avoidance of taxes (see Baumol, 1996).

Implications for practice

Insights derived from this study offer several implications for practitioners, policy makers and education providers.

Governments and policy makers such as those in China have discovered the potential that returnee entrepreneurs may offer in terms of a beneficial impact on the development of emerging economies and have designed policies in order to attract returnees back and provide support mechanisms for their venturing efforts. Case study insights suggest that a strong and stable institutional environment may be a key determinant for the decision to consider returning home and starting a new venture. Policy makers may need to consider regulatory arrangements, but also contributing to a positive climate and perception of entrepreneurship in the society. In terms of regulatory arrangements, results show that returnee entrepreneurs are particularly concerned about an insufficient protection of intellectual property. If entrepreneurs fear that their advanced technologies might be

exploited by competitors without having adequate regulatory and legal protection against this, they may be reluctant to invest considerable efforts and funds into R&D. Policy makers also need to make sure that – despite a potential culturally routed focus and reliance on informal networks and relationships – these are not being misused and result in unproductive entrepreneurial activities. This also relates to the design of transparent and objective mechanisms for determining who receives access to governmental support.

A particular emphasis should also be put on aiding returnees with overcoming potential disadvantages due to estrangement after having been absent. Case study insights demonstrate that estrangement from the home country is perceived as a considerable liability. Government support mechanisms could not only target on providing financial means for venturing efforts, but also offer means to help returnees re-localise in their native country. This could, for example, be achieved by fostering social groups, re-acculturation training and mentor schemes with experienced locals. Thereby, it could facilitate and accelerate processes of re-acculturation and re-localisation of returnees. This also includes seminars and workshops targeting a lack of knowledge regarding conducting business in the returnee's native country.

While countries such as China have put considerable emphasis on supporting promising venturing efforts in selected and seemingly promising industries including biotechnology or information technologies, policy makers should be careful that a vast majority of ventures outside of business incubators do not fall under the radar. Due to resource-constraints and limited funding capacities, it may not be possible or desirable to financially support all kinds of ventures. However, findings suggest that beyond financial support, an entrepreneurship-friendly environment is deemed to be a motivating factor that may facilitate venturing efforts. This includes a normative institutional framework that encourages and non-monetarily rewards individuals who undertake entrepreneurial efforts and that stimulates the emergence of vibrant entrepreneurial eco-systems. This may be of particular strategic interest for countries that face larger resource-constraints than China does; for example, developing economies in Africa or South-East Asia. While these may not have the means to actively gear large financial funds into business incubators and technology parks, they may well be able to foster an entrepreneurial culture that contributes to the emergence of new economic activities.

Conclusion

Based on case study insights, this research proposes a tentative model of returnee entrepreneurs incorporating the creation and operation of new ventures and the interplay with the institutional environment. Thereby, this study adds to the evolving stream of literature on returnee entrepreneurs and enhances the knowledge about the phenomenon in the context of emerging economies. Insights derived from case study data from China illustrate the different motivations and reasons why highly skilled individuals return from overseas and start a new venture in their native country, how they utilise their international experience for their venturing efforts and depict their personal change processes. While human and social capital accumulated overseas suggests to be beneficial for starting an entrepreneurial business, returnees also have to cope with a lack of local networks and local knowledge. Institutional support mechanisms and local business partners appear to be an effective means to overcome these liabilities. Case study data also provide insights into different business objectives and growth aspirations returnee entrepreneurs pursue. This study, furthermore, illustrates how the formal and informal institutional environment of an emerging economy affects returnee entrepreneurial activities and how returnee entrepreneurs may themselves influence institutions.

Future research could empirically and quantitatively investigate particular relationships between different factors proposed in the model. Considering the suggested impact of

returnee entrepreneurs on the economic development of emerging economies, two-way relationships between the individual and firm level and the macro level are of particular interest. Limitations of this study include that it is based on interviews and secondary data from one city in one country with a particular institutional environment. This limits the generalisability of insights to other geographical and contextual settings. Another limitation includes that a response bias cannot be completely eliminated. Interviewees may not have revealed sensitive information and may have responded in a socially desirable manner.

References

- Acedo, F.J. and Jones, M.V. (2007), "Speed of internationalization and entrepreneurial cognition: insights and a comparison between international new ventures, exporters and domestic firms", *Journal of World Business*, Vol. 42 No. 3, pp. 236-252.
- Acs, Z.J., Desai, S. and Hessels, J. (2008), "Entrepreneurship, economic development and institutions", *Small Business Economics*, Vol. 31 No. 3, pp. 219-234.
- Ahlstrom, D. and Bruton, G.D. (2006), "Venture capital in emerging economies: networks and institutional change", *Entrepreneurship: Theory & Practice*, Vol. 30 No. 2, pp. 299-320.
- Alon, I., Misati, E., Warnecke, T. and Zhang, W. (2011), "Comparing domestic and returnee female entrepreneurs in China: is there an internationalisation effect?", *International Journal of Business and Globalisation*, Vol. 6 Nos 3-4, pp. 329-349.
- Amit, R. and Zott, C. (2001), "Value creation in e-business", *Strategic Management Journal*, Vol. 22 Nos 6-7, pp. 493-520.
- Arenius, P.M. (2002), "Creation of firm-level social capital, its exploitation, and the process of early internationalization", doctoral dissertation, Helsinki University of Technology, Helsinki.
- Armanios, D.E., Eesley, C.E., Li, J. and Eisenhardt, K.M. (2017), "How entrepreneurs leverage institutional intermediaries in emerging economies to acquire public resources", *Strategic Management Journal*, Vol. 38 No. 7, pp. 1373-1390.
- Athukorala, P. (1990), "International contract migration and the reintegration of return migrants: the experience of Sri Lanka", *International Migration Review*, Vol. 24 No. 2, pp. 323-346.
- Autio, E. and Fu, K. (2014), "Economic and political institutions and entry into formal and informal entrepreneurship", *Asia Pacific Journal of Management*, Vol. 32 No. 1, pp. 67-94.
- Avle, S. (2014), "Articulating and enacting development: skilled returnees in Ghana's ICT industry", *Information Technologies & International Development*, Vol. 10 No. 4, pp. 1-13.
- Bai, W., Johanson, M. and Martín Martín, O. (2017), "Knowledge and internationalization of returnee entrepreneurial firms", *International Business Review*, Vol. 26 No. 4, pp. 652-665.
- Bao, Y., Miao, Q., Liu, Y. and Garst, D. (2016), "Human capital, perceived domestic institutional quality and entrepreneurship among highly skilled Chinese returnees", *Journal of Developmental Entrepreneurship*, Vol. 21 No. 1, pp. 1-21.
- Baumol, W.J. (1996), "Entrepreneurship: productive, unproductive, and destructive", *Journal of Business Venturing*, Vol. 11 No. 1, pp. 3-22.
- Becker, G.S. (1993), *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, University of Chicago Press, Chicago, IL.
- Bhave, M.P. (1994), "A process model of entrepreneurial venture creation", *Journal of Business Venturing*, Vol. 9 No. 3, pp. 223-242.
- Bianchi, C. (2011), "Inward internationalization of consumer services: lessons from Australian firms", *The Journal of Services Marketing*, Vol. 25 No. 4, pp. 282-293.
- Bruton, G.D., Ahlstrom, D. and Han-Lin, L. (2010), "Institutional theory and entrepreneurship: where are we now and where do we need to move in the future?", *Entrepreneurship: Theory & Practice*, Vol. 34 No. 3, pp. 421-440.

- Bruton, G.D., Ahlstrom, D. and Obloj, K. (2008), "Entrepreneurship in emerging economies: where are we today and where should the research go in the future", *Entrepreneurship: Theory & Practice*, Vol. 32 No. 1, pp. 1-14.
- Clarke, J.E., Tamaschke, R. and Liesch, P.W. (2013), "International experience in international business research: a conceptualization and exploration of key themes", *International Journal of Management Reviews*, Vol. 15 No. 3, pp. 265-279.
- Coviello, N.E. and Munro, H.J. (1995), "Growing the entrepreneurial firm: networking for international market development", *European Journal of Marketing*, Vol. 29 No. 7, pp. 49-61.
- Cumming, D., Duan, T., Hou, W. and Rees, W. (2015), *Does Overseas Experience Matter? A Study of Returnee CEOs and IPOs of Chinese Entrepreneurial Firms*, Academy of Management, New York, NY.
- Cumming, D., Sapienza, H.J., Siegel, D.S. and Wright, M. (2009), "International entrepreneurship: managerial and policy implications", *Strategic Entrepreneurship Journal*, Vol. 3 No. 4, pp. 283-296.
- Dahles, H. (2013), "Cambodian returnees' entrepreneurial ventures", *Journal of Enterprising Communities*, Vol. 7 No. 4, pp. 383-396.
- Dai, O. and Liu, X. (2009), "Returnee entrepreneurs and firm performance in Chinese high-technology industries", *International Business Review*, Vol. 18 No. 4, pp. 373-386.
- Drori, I., Honig, B. and Wright, M. (2009), "Transnational entrepreneurship: an emergent field of study", *Entrepreneurship: Theory & Practice*, Vol. 33 No. 5, pp. 1001-1022.
- Edmondson, A.C. and Mcmanus, S.E. (2007), "Methodological fit in management research", *Academy of Management Review*, Vol. 32 No. 4, pp. 1155-1179.
- Eisenhardt, K.M. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 4, pp. 532-550.
- Farquharson, M. and Pruthi, S. (2015), "Returnee entrepreneurs: bridging network gaps in China after absence", *South Asian Journal of Management*, Vol. 22 No. 2, pp. 9-35.
- Filatotchev, I., Liu, X., Buck, T. and Wright, M. (2009), "The export orientation and export performance of high-technology SMEs in emerging markets: the effects of knowledge transfer by returnee entrepreneurs", *Journal of International Business Studies*, Vol. 40 No. 6, pp. 1005-1021.
- Filatotchev, I., Liu, X., Lu, J. and Wright, M. (2011), "Knowledge spillovers through human mobility across national borders: evidence from Zhongguancun Science Park in China", *Research Policy*, Vol. 40 No. 3, pp. 453-462.
- Fletcher, R. (2001), "A holistic approach to internationalisation", *International Business Review*, Vol. 10 No. 1, pp. 25-49.
- Gillespie, K., McBride, J.B. and Riddle, L. (2010), "Globalization, biculturalism and cosmopolitanism", *International Journal of Cross Cultural Management*, Vol. 10 No. 1, pp. 37-53.
- Gubert, F. and Nordman, C.J. (2011), "Return migration and small enterprise development in the Maghreb", in Plaza, S. and Ratha, D. (Eds), *Diaspora for Development in Africa*, World Bank, Washington, DC, pp. 103-126.
- Hagan, J.M. and Wassink, J. (2016), "New skills, new jobs: return migration, skill transfers, and business formation in Mexico", *Social Problems*, Vol. 63 No. 4, pp. 513-533.
- Hausmann, R. and Nedelkoska, L. (2018), "Welcome home in a crisis: effects of return migration on the non-migrants' wages and employment", *European Economic Review*, Vol. 101, pp. 101-132.
- Ilahi, N. (1999), "Return migration and occupational change", *Review of Development Economics*, Vol. 3 No. 4, pp. 170-186.
- Johanson, J. and Vahlne, J.-E. (2009), "The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership", *Journal of International Business Studies*, Vol. 40 No. 9, pp. 1411-1431.
- Kenney, M., Breznitz, D. and Murphree, M. (2013), "Coming back home after the sun rises: returnee entrepreneurs and growth of high tech industries", *Research Policy*, Vol. 42 No. 2, pp. 391-407.

- Kiss, A.N., Danis, W.M. and Cavusgil, S.T. (2012), "International entrepreneurship research in emerging economies: a critical review and research agenda", *Journal of Business Venturing*, Vol. 27 No. 2, pp. 266-290.
- Levy, D. and Scully, M. (2007), "The institutional entrepreneur as modern prince: the strategic face of power in contested fields", *Organization Studies*, Vol. 28 No. 7, pp. 971-991.
- Li, H., Zhang, Y., Li, Y., Zhou, L.-A. and Zhang, W. (2012), "Returnees versus locals: who perform better in china's technology entrepreneurship?", *Strategic Entrepreneurship Journal*, Vol. 6 No. 3, pp. 257-272.
- Lin, D., Lu, J., Li, P.P. and Liu, X. (2015), "Balancing formality and informality in business exchanges as a duality: a comparative case study of returnee and local entrepreneurs in China", *Management and Organization Review*, Vol. 11 No. 2, pp. 315-342.
- Lin, D., Lu, J., Liu, X. and Zhang, X. (2016), "International knowledge brokerage and returnees' entrepreneurial decisions", *Journal of International Business Studies*, Vol. 47 No. 3, pp. 295-318.
- Lin, S., Mercier-Suissa, C. and Salloum, C. (2016), "The Chinese born globals of the Zhejiang province: a study on the key factors for their rapid internationalization", *Journal of International Entrepreneurship*, Vol. 14 No. 1, pp. 1-21.
- Liu, X., Wright, M. and Filatotchev, I. (2015), "Learning, firm age and performance: an investigation of returnee entrepreneurs in Chinese high-tech industries", *International Small Business Journal*, Vol. 33 No. 5, pp. 467-487.
- Liu, X., Lu, J., Filatotchev, I., Buck, T. and Wright, M. (2010), "Returnee entrepreneurs, knowledge spillovers and innovation in high-tech firms in emerging economies", *Journal of International Business Studies*, Vol. 41 No. 7, pp. 1183-1197.
- Liu, X., Wright, M., Filatotchev, I., Dai, O. and Lu, J. (2010), "Human mobility and international knowledge spillovers: evidence from high-tech small and medium enterprises in an emerging market", *Strategic Entrepreneurship Journal*, Vol. 4 No. 4, pp. 340-355.
- Liu, Y. and Almor, T. (2016), "How culture influences the way entrepreneurs deal with uncertainty in inter-organizational relationships: the case of returnee versus local entrepreneurs in China", *International Business Review*, Vol. 25 No. 1, pp. 4-14.
- Liu, Y. and Xing, Y. (2012), "Entrepreneurial and business elites of China: the Chinese returnees who have shaped modern China", *Management International Review*, Vol. 52 No. 3, pp. 489-492.
- Lu, Y. (1998), "Joint venture success in China: how should we select a good partner?", *Journal of World Business*, Vol. 33 No. 2, pp. 145-166.
- McCormick, B. and Wahba, J. (2001), "Overseas work experience, savings and entrepreneurship amongst return migrants to LDCs", *Scottish Journal of Political Economy*, Vol. 48 No. 2, pp. 164-178.
- McDougall, P.P., Oviatt, B.M. and Shrader, R.C. (2003), "A comparison of international and domestic new ventures", *Journal of International Entrepreneurship*, Vol. 1 No. 1, pp. 59-82.
- McMillan, J. and Woodruff, C. (2002), "The central role of entrepreneurs in transition economies", *The Journal of Economic Perspectives*, Vol. 16 No. 3, pp. 153-170.
- Madsen, T.K. (2013), "Early and rapidly internationalizing ventures: similarities and differences between classifications based on the original international new venture and born global literatures", *Journal of International Entrepreneurship*, Vol. 11 No. 1, pp. 65-79.
- Malhotra, N.K. (2006), *Marketing Research: An Applied Orientation*, Pearson/Prentice Hall, Frenchs Forest.
- Martin, J.N. (1984), "The intercultural reentry: conceptualization and directions for future research", *International Journal of Intercultural Relations*, Vol. 8 No. 2, pp. 115-134.
- North, D.C. (1990), *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, Cambridge.
- Ojo, S. (2017), "Interrogating returnee entrepreneurship in the Nigerian context", *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 11 No. 5, pp. 590-608.

- Oviatt, B.M. and McDougall, P.P. (1994), "Toward a theory of international new ventures", *Journal of International Business Studies*, Vol. 25 No. 1, pp. 45-64.
- Oviatt, B.M. and McDougall, P.P. (2005), "Defining international entrepreneurship and modeling the speed of internationalization", *Entrepreneurship: Theory & Practice*, Vol. 29 No. 5, pp. 537-554.
- Peng, M.W. and Luo, Y. (2000), "Managerial ties and firm performance in a transition economy: the nature of a micro-macro link", *The Academy of Management Journal*, Vol. 43 No. 3, pp. 486-501.
- Portes, A. (1998), "Social capital: its origins and applications in modern sociology", *Annual Review of Sociology*, Vol. 24, pp. 1-24.
- Prashantham, S. and Dhanaraj, C. (2010), "The dynamic influence of social capital on the international growth of new ventures", *Journal of Management Studies*, Vol. 47 No. 6, pp. 967-994.
- Pruthi, S. (2014), "Social ties and venture creation by returnee entrepreneurs", *International Business Review*, Vol. 23 No. 6, pp. 1139-1152.
- Puffer, S.M., McCarthy, D.J. and Boisot, M. (2010), "Entrepreneurship in Russia and China: the impact of formal institutional voids", *Entrepreneurship: Theory & Practice*, Vol. 34 No. 3, pp. 441-467.
- Putnam, R. (2001), "Social capital: measurement and consequences", *Canadian Journal of Policy Research*, Vol. 2 No. 1, pp. 41-51.
- Qin, F. and Estrin, S. (2015), "Does social influence span time and space? Evidence from Indian returnee entrepreneurs", *Strategic Entrepreneurship Journal*, Vol. 9 No. 3, pp. 226-242.
- Qin, F., Wright, M. and Gao, J. (2017), "Are 'sea turtles' slower? Returnee entrepreneurs, venture resources and speed of entrepreneurial entry", *Journal of Business Venturing*, Vol. 32 No. 6, pp. 694-706.
- Rennie, M.W. (1993), "Born global", *The McKinsey Quarterly*, No. 4, pp. 45-52.
- Reuber, A.R. and Fischer, E. (1997), "The influence of the management team's international experience on the internationalization behaviors of SMEs", *Journal of International Business Studies*, Vol. 28 No. 4, pp. 807-825.
- Reynolds, P.D., Hay, M. and Camp, S.M. (1999), *Global Entrepreneurship Monitor*, Kauffman Center for Entrepreneurial Leadership, Kansas City, MO.
- Rottig, D. (2016), "Institutions and emerging markets: effects and implications for multinational corporations", *International Journal of Emerging Markets*, Vol. 11 No. 1, pp. 2-17.
- Saldaña, J. (2012), *The Coding Manual for Qualitative Researchers*, Sage Publications, Thousand Oaks, CA.
- Santos, F.M. and Eisenhardt, K.M. (2009), "Constructing markets and shaping boundaries: entrepreneurial power in nascent fields", *The Academy of Management Journal*, Vol. 52 No. 4, pp. 643-671.
- Saxenian, A. (2005), "From brain drain to brain circulation: transnational communities and regional upgrading in India and China", *Studies in Comparative International Development*, Vol. 40 No. 2, pp. 35-61.
- Saxenian, A. (2006), *The New Argonauts: Regional Advantage in a Global Economy*, Harvard University Press, Cambridge, MA.
- Scott, W.R. (2007), *Institutions and Organizations: Ideas, Interests and Identities*, SAGE Publications, Thousand Oaks, CA.
- Thomas, K.J.A. and Inkpen, C. (2013), "Migration dynamics, entrepreneurship, and African development: lessons from Malawi", *International Migration Review*, Vol. 47 No. 4, pp. 844-873.
- Tynaliyev, U.M. and Mclean, G.N. (2011), "Labour migration and national human resource development in the context of post-Soviet Kyrgyzstan", *Human Resource Development International*, Vol. 14 No. 2, pp. 199-215.
- Urbano, D. and Alvarez, C. (2014), "Institutional dimensions and entrepreneurial activity: an international study", *Small Business Economics*, Vol. 42 No. 4, pp. 703-716.

- Verheul, I., Thurik, R., Hessels, J. and Van Der Zwan, P. (2010), "Factors influencing the entrepreneurial engagement of opportunity and necessity entrepreneurs", *EIM Research Reports*, pp. 1-24.
- Wahba, J. and Zenou, Y. (2012), "Out of sight, out of mind: migration, entrepreneurship and social capital", *Regional Science and Urban Economics*, Vol. 42 No. 5, pp. 890-903.
- Welch, L.S. and Luostarinen, R.K. (1993), "Inward-outward connections in internationalization", *Journal of International Marketing*, Vol. 1 No. 1, pp. 44-56.
- Wright, M., Liu, X., Buck, T. and Filatotchev, I. (2008), "Returnee entrepreneurs, science park location choice and performance: an analysis of high-technology SMEs in China", *Entrepreneurship: Theory & Practice*, Vol. 32 No. 1, pp. 131-155.
- Yin, R.K. (1981), "The case study crisis: some answers", *Administrative Science Quarterly*, Vol. 26 No. 1, pp. 58-65.
- Yin, R.K. (2003), *Case Study Research: Design and Methods*, Sage Publications, Thousand Oaks, CA.
- Yin, R.K. (2011), *Applications of Case Study Research*, Sage Publications, Thousand Oaks, CA.
- Zhang, W., Wang, H. and Alon, I.E. (2011), *Entrepreneurial and Business Elites of China: The Chinese Returnees Who Have Shaped Modern China*, Emerald, Bingley.
- Zhao, L. and Zhu, J. (2009), "China attracting global talent: central and local initiatives", *China: An International Journal*, Vol. 7 No. 2, pp. 323-335.
- Zhou, L., Farquharson, M. and Man, T.W.Y. (2016), "Human capital of returnee entrepreneurs: a case study in China", *Journal of Enterprising Culture*, Vol. 24 No. 4, pp. 391-418.
- Zhou, L., Wei-Ping, W. and Xueming, L. (2007), "Internationalization and the performance of born-global SMEs: the mediating role of social networks", *Journal of International Business Studies*, Vol. 38 No. 4, pp. 673-690.
- Zweig, D. and Wang, H. (2013), "Can China bring back the best? The communist party organizes China's search for talent", *The China Quarterly*, Vol. 215, pp. 590-615.
- Zweig, D., Chung, S.F. and Vanhonacker, W. (2006), "Rewards of technology: explaining China's reverse migration", *Journal of International Migration and Integration*, Vol. 7 No. 4, pp. 449-471.

Corresponding author

Jan Henrik Gruenhagen can be contacted at: jan.grunhagen@qut.edu.au

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgroupublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.