

**RETURNEE AND NON-RETURNEE ENTREPRENEUR'S  
CAPITALS IMPACT ON ENTREPRENEURIAL FIRM  
PERFORMANCE**

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## **Abstract**

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In this work, I examine the impact that entrepreneurs who leave their home country for an extended period before returning and starting an enterprise have on their enterprise's performance versus those entrepreneurs than never leave and start their enterprises. The research looks at entrepreneurs in four developing countries. It compares the performance of those enterprises that have been started by individuals who have left their home country, come back home and started an enterprise against those that never left their home country to reside abroad.

While we know that returnee founded enterprises have been demonstrated to outperform in some measures such as propensity to export, or in Science, Technology, Engineering and Mathematics (STEM) related industries, usually in a single location, less is understood as to why or how they do so. We also know that each of these "capitals" possesses value, however, we know much less about how they interact and if where the acquired capital(s) were acquired matters. This last issue is of interest within the study of global entrepreneurship and the importance of returnee entrepreneurs for economic development. The findings suggest that being a returnee entrepreneur, returnees, does add value to their enterprise's performance as compared to those enterprises started by entrepreneurs who never left their home country, non-returnees.

In addition, this research shows that within the context of the research

parameters, selected individual capitals, in this case human, social and political, may not help explain why these differences in performance occur and leaves open the question if it is rather the aggregation of the capitals within the entrepreneur that helps us understand the value of expatriation of the individual in their enterprise's performance. The findings have the potential to provide a more nuanced understanding of the impact of returnee entrepreneurs in developing nations and the role that capital accumulation and utilization by the entrepreneur plays in securing the enterprise's success.

Keywords: Returnee, non-returnee entrepreneurs; human capital; political capital; social capital; entrepreneurship; enterprise performance.

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## **Abbreviations**

CCP:	Chinese Communist Party
CEO:	Chief Executive Officer
COO:	Chief Operating Officer
DRBV:	Dynamic Resourced Based View
EBITDA:	Earnings Before Interest, Taxes, Depreciation and Amortization
FDI:	Foreign Direct Investment
FTSE:	Financial Times Stock Exchange
GCI:	The Global Corruption Index
GDP:	Gross Domestic Product
GEDI:	The Global Entrepreneurial and Development Index
GEDBI:	The Global Ease of Doing Business Index
GEM:	Global Entrepreneur Monitor
IB:	International Business
IPO:	Initial Public Offering
IRS:	Internal Revenue Service
KVB:	Knowledge Based View
MNE:	Multinational Enterprise
NGO:	Non-Governmental Organizations
OECD:	Organization for Economic Co-operation and Development
OLS:	Ordinary Least Squares
P&L:	Profit and Loss
PSC:	Psychological Characteristics School
R&D:	Research and Development
SME:	Small and Medium Enterprise
STEM:	Science Technology Engineering and Mathematics
SWF:	Sovereign Wealth Funds
TEA:	Total early-stage Entrepreneur Activity
THC:	Total Human Capital
USD:	United States Dollars
ZSP:	Zhongguancun Science Park

# Chapter 1

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## Introduction

To many emigrants, the act of deciding to return to the homeland is akin to 'crossing the Rubicon' and admitting that in effect, the grass is not always greener in the next field and that there may be better opportunities back home. This is not an easy decision for any individual, especially after much emotional, financial and personal investment has been made leaving the homeland in the first place. The importance of returnees to a country's economy has been the focus of both government and academic interest. However, the processes that returnees face, once they have decided to go back home is not always an easy one. Several governments, having acknowledged this, have started taking steps to assist returnee efforts to repatriate. Taiwan, realising the value of its returnees, in 1980, opened the first of several science industrial parks with special economic incentives. By 2000, 118 of the 289 enterprises in these parks, employing over 100,000 people, had been founded by returning émigrés, mainly from the US, who maintained close technological and business links with the country they studied and/or worked in (O'Neil, 2003). China has followed suit, with over 2000 start-up enterprises created by returnees in just one Chinese industrial park, Zhongguancun Science Park (ZSP) alone (Dai & Liu, 2009), thus showing the country's success is attracting back its far-flung nationals.

India has slowly begun to actively seek its highly educated and skilled émigrés to return by introducing new citizenship legislation: PIO, 2002; OCI, 2006 and Citizenship (Amendment) Act, 2015 (Deloitte/OIFC 2014) and tax laws 2014 (India Ministry of Law and Justice, 2015) in order to encourage their nationals living overseas to return to India and invest their knowhow and talents in the country. Over 4,200 new enterprises are being started in India, many by returnees, in the country in 2015 (Wall Street Journal, 2016). In 2013 India set itself a target to attract returnees and have them start a few thousand additional enterprises by 2023 (Forbes-India, 2011, 2016). This target maybe quite modest since it is below the 4,000 plus start-ups per year that were already taking place (The times of India, 2015). In general, India has not had the specific policies that China and Taiwan have implemented in order to encourage the return of expatriates (Kenney et al., 2013).

Returnee entrepreneurs and enterprise performance, has begun to get more attention by International Business (IB) researchers and many recent studies have looked at aspects of returnee value to their enterprises, such as their enterprise's propensity to export (Filatotchev et al., 2009; Liu X. et al., 2010; Kenney et al., 2013) The idea that returnees have value added specificities that differentiates them from non-returnees and the effects these differences have on enterprise success is being both recognised and increasingly explored in the IB, as well as, in the entrepreneurship, economics and management literature.

The view that skills acquired by returnee entrepreneurs overseas may be an important factor underpinning Small and Medium Enterprises (SME) innovation and performance, especially in Science, Technology, Engineering

and Math (STEM) related industries, has been well established (Westhead et al., 2001), so has the idea that human and social capital acquired while abroad may also enhance firm performance (Liu, X. et al., 2010). In high tech industries, human capital linked to industry specific knowledge is seen as key to fostering innovation. Returnees may have a positive spill-over effect on the technological capabilities of local firms in emerging markets such as China (Liu, X. et al, 2010.). These examples point to the increased interest by researchers in the effects that returnee entrepreneurs have on the enterprises they start.

Most of the research in this area has usually looked at specific, and usually single, performance differences in returnee founded enterprises such as the propensity to export (Ganotakis, 2012; Ganotakis & Love, 2012), the impact of technological knowledge, usually in high tech industries and acquired overseas, and the resulting advantage by returnee founded enterprises to target international market niches as compared with local entrepreneur owned firms (Dai & Liu, 2009). These studies have sought to better understand the differences between returnee and non-returnee enterprise performance by looking at the value of the location where a capital such as, human, social, political, financial or technological, is acquired, and the impact on the area(s) of performance of the resulting enterprise. As an example, Dai & Liu (2009) empirically examined 1833 enterprises and compared the performance of the returnee started enterprises versus those started by non-returnees in the largest science park in China. They found that having international entrepreneurial orientation is important. Based on education and working experience abroad, returnee entrepreneurs' foreign knowledge and networks

were positively associated with firm performance and used Research and Development (R&D) expenditure as the main measure (Dai & Liu, 2009). In a follow-up study done in the same science park in Beijing, China (ZSP) by one of the authors, the role of returnee entrepreneur's contributions to their enterprises' performance focused on how the returnees acquire a particular skill, how these skills transfer, and their impact on one or several of the enterprises activities such as innovation (Liu et al., 2010).

Returnee entrepreneurs at their core, share with non-returnee entrepreneurs the same behavioural traits, motivation, and capitals that have allowed them to start, develop and grow their enterprises. The body of research on entrepreneurship and enterprise formation is both extensive and varied. Key themes have emerged over time starting with Cantillon (1965) who conceived entrepreneurship as judgmental decision-making under conditions of uncertainty (Foss et al., 2007) and Mill (2001, 1871), who was one of the first to use the term entrepreneur and to identify risk taking as the main difference between the manager and the entrepreneur. This was later followed by Schumpeter (1939) who added as a key differentiator, the ability to develop new ideas and the identification of market opportunities.

Other studies have both discounted risk-taking and innovation as the key determinants for entrepreneur formation (Wallach & Kogan, 1964; Brockhaus, 1987) and looked at job loss and lack of interest in working for others instead (Shapero, 2002). Researchers have argued the finer points, but there is generally an accepted definitional agreement that what distinguishes an entrepreneur from an owner-manager is the desire for growth. There is also a

strong argument that not all business founders/owner-managers qualify as entrepreneurs. Establishing what are some other of the more important elements behind enterprise performance, remains an area that requires better understanding and one that I plan to address in this study

Both home or host country studies have looked at the impact of home location (Figueiredo et al., 2002), cultural backgrounds (Chrisman et al., 2002; Abbey, 2002), education (Robinson & Sexton, 1994), experience (Zhang, 2011), attitudes and behavioural traits (Altinay, 2008), among the many variables used to study enterprise creation and success. A study by Cunningham & Lischeron (1991) classified prior research activity into six schools of thought: 1) the 'Great Person' School; 2) the Psychological Characteristics School (PSC); 3) the Classical School; 4) the Management School; 5) the Leadership School; and 6) the Intrapreneurship School. (Cunningham & Lischeron, 1991, cited in Johnson et al., 2005).

In each school, entrepreneurs, have their own distinctive characteristics: They are born and not made in the 'Great Persons' School; they behave according to their underlying psychological traits in the PSC; they are leaders and individuals that can define a vision and motivate others to make this vision a reality in the leadership School; they are focused on managing the firm in the Management School; while the Classical School believes that to entrepreneurship relies on individuals being innovative, while in the Intrapreneurship School, individuals act as entrepreneurs but never become owners (Johnson et al., 2005). As will be discussed throughout this study, this research draws from both the classical and the managements schools.

This research builds upon the concept that enterprise performance is interwoven with their founders' skills, life experiences and capabilities. This has been explored when looking at one or another of the capitals brought by the individuals to the enterprise (Honig, 1998). Although the impact of one or another form of entrepreneur capital has been the focus of much research, especially when looking at human capital (Honig, 1998) or financial capital (Cooper et al., 1994), and in some cases at networks (Barr, 1998; Gronum et al., 2012) and affiliations (Hellman et al., 2003), the role of using political capital in order to improve an enterprises' performance by its owner(s) is an area that has received slight scholarly interest, probably due to the scarcity of data. For example, a study that looked at the association between a firm's high-level political connections and earnings, used as examples some family dynasties and their roles in affecting corporate performance both in developed and developing markets. The first example given was Shin Satellite, a Thai telecom company, 53% owned by the family of the then Thai Prime Minister, Thaksin Shinawatra, obtained government assistance to expand capacity utilization, which was already very high. The second example given was that during George W. Bush's administration, the president of Enron was the only energy executive to meet with the vice president, himself a former energy executive, as a new energy policy was being formulated (Chen, C. et al., 2010). The above example shows that one direct mechanism for local entrepreneurs to progress their enterprises interests is through the extension of preferential treatment to family members of senior government members.



The idea that entrepreneurs bring to the new enterprise a set of knowledge, skills, competences and traits has been well researched and documented (Benzing et al., 2009; Man et al., 2002; Mitchelmore & Rowley, 2010; Rauch & Frese, 2007; Unger et al., 2011). Research in this field has been typically driven by either looking at the entrepreneur's own personal and unique resources, or an enterprises' performance through single prisms lenses that considers a particular trait, competency or skill. These in turn, maybe be wide and varied: reputation (Benzing et al., 2009), network relationships (Coviello & Munro, 1997), type of education (Dickson et al., 2008), competencies (Mitchelmore & Rowley, 2010), and start-up experience (Unger et al., 2011). A wide range of institutional antecedents, such as law and order, culturally emphasized global competitiveness, well established tax regimes, and corruption, have traditionally been associated with both the choice of individuals to start ventures and the various outcomes associated with venture founding (Aidis, 2005; Casper, 2000; Dickson et al., 2008).

The work that includes the issues mentioned above and returnees has been more limited. One of the issues facing researchers has been to clearly define, identify and measure performance and success in a meaningful and reproducible way. As discussed earlier, some studies and particularly those relating to returnee entrepreneurs have tended to focus on a single measure such as the propensity to export (Filatotchev et al., 2009), the amount spent of innovation (Dai & Liu, 2009) or the impact of human and social networks (Wahba & Zenou, 2012) once they return home and start an enterprise. Other studies have explored issues such as the idea that returnees suffer in some

measure, from liability of foreignness (Li H. et al., 2012). The internationalization of these studies has been the subject of some comprehensive and useful literature review (Buckley & Casson, 2010; Kirkman et al., 2006).

These reviews looked at multinational enterprise research papers that included the impact of culture on enterprise success. The study of other international related factors such as Foreign Direct Investment (FDI) and their impact on human capital formation and enterprise performance, has been both conceptually reviewed (Blomstrom & Kokko, 2003), and empirically explored (Narula & Martin, 2003; Teixeira & Tavares-Lehmann, 2014). A review looking at how studies have measured organizational performance drew the conclusion that researchers tend to pay little theoretical attention, or methodological rigor, to their choice and use of the many performance measures available (Richard et al., 2009).

Much of the research mentioned above has focused on entrepreneurs and returnee entrepreneurs' ability to survive the initial process that a start-up must go through, as well as, deal with some of the additional issues that returnees started enterprises face such as liability of foreignness, in the same way that Multinational Enterprises (MNE) deal with this issue. As they learn from their host market environment, returnees can also overcome this same liability, as they re-connect with their home country and developing a better understanding of the changes that have taken place while they have been away (Li H. et al., 2012)

The understanding of the underlying factors that help determine entrepreneurial performance remain the focus of continuing research and this is especially true when looking at performance from a multi-country perspective. Although, while we now understand much of the way in which entrepreneur's characteristics and traits affect enterprise performance, major gaps still exist in the literature. These are both theoretical and methodological with regards to the role and value of capital acquisition by individuals outside their home country and their impact on enterprise creation and performance once these individuals return to their country of origin.

Past studies that have looked at the role of returnees have focused on some areas that may affect enterprise performance such as propensity to export (Ganotakis & Love, 2012) and human capital accumulation outside their home country (Filatotchev et al., 2009), when trying to look at certain characteristics of enterprise performance (see chapter 2). These studies and others have also identified some gaps that should be addressed: First: The assumption that education and experience are key factors in assisting returnees in the development and success of their enterprises has not been proved in some specific location studies (Black & Castaldo, 2009; Davidsson & Honig, 2003; Honig, 1998); second, the role of knowledge accumulation outside the home country has been found to be valuable to the enterprise they start when they return (Filatotchev et al., 2009; Liu et al., 2010; Wright et al., 2008). This divergence in results has created a need for additional work that looks at returnee's enterprise performance from a multi-country perspective (Dai & Liu, 2009; Filatotchev et al., 2009). This also applies to some forms of social capital.

While some studies have found social capital to be significant in explaining returnee enterprise initial discovery performance in single country locations (Davidsson & Honig, 2003; Black & Castaldo, 2009; Ganotakis & Love, 2012), there remains a need for additional work that looks at the impact of these capitals deeper into the exploitation period of the enterprise (Davidson & Honig, 2003).

This research explores the impact of returnee's enterprise performance as established enterprises, as well as, addressing if these capitals help explain variations in performance. Other studies have focused on specific areas of performance such as exports (Ganotakis & Love, 2012) or internationalization (Bai et al., 2017) when explaining returnee versus non-returnee enterprise performance. This research answers the call for additional work that does not include internationalization (Bai et al., 2017). In similar fashion India and China have been at the centre of academic interest, much of this work has also focused on high tech, and STEM, type of enterprises (Dai & Liu., 2009; Bai et al., 2017). This has also resulted in calls for work that looks at returnee entrepreneurial firms in other emerging markets and regions, such as Latin America, as well as in diverse sectors, including low-tech industries (Bai et al., 2017). This research attempts to address these gaps in the literature. Black & Castaldo (2019) also call for additional work that looks at the value of networks, contacts or wider experience that migrants may gain abroad. The need for studies that use multi-dimensional measures for the performance of SMEs, such as sales, and/or profitability and the role that returnee entrepreneurs play

in emerging market contexts outside China have also been identified (Dai & Liu, 2009)

Based on the above, research that explores the role of returnees on enterprise performance survival can be summarized in two main areas: 1) if returnees entrepreneurs perform better than non-returnee entrepreneur funded enterprises in the broad context of emerging markets, rather than in a single location; and 2) if human, social and political capital help explain or understand these differences.

This thesis is structured as follows. In chapter 2, I look at capital theory, in chapter 3, I explore and discuss the returnee and human, social and political capital literature and its relevance to this research, the literature and what is known about returnees and human, social and political capitals within the context of enterprise performance, as well as, what is not known. Chapter 4 will build on chapter 3 and focuses on methodology, it describes the sample and data collection, the variables and measurements, and the construct validation procedures. In chapter 5, I report the findings and discuss them. Chapter 6 reviews the findings and discusses the contributions, implications and limitations of this research.

### **Aims and objectives**

This research advances the idea that the differences in entrepreneurial firm's performance is directly related to the value of the inputs brought by its founder(s), (see figure 1). The idea that leaving the home country and eventually returning to it, adds value to the performance of an enterprise that

they, the returnee entrepreneurs, have established upon their return, has been explored in past research. The type and nature of their impact on enterprise performance has been looked at in different ways. This has included the enterprises' internationalization (Bai et al., 2017), export propensity (Filatotchev et al., 2009), acquisition of capitals abroad (Liu et al., 2010; Davidsson & Honig, 2003) or additional skills overseas (Westhead et al., 2001). This research explores: first, if indeed being outside the home country results in differences in enterprise performance by specifically comparing returnee versus non-returnee entrepreneurs' enterprises, and second, if human, social and political capital can help explain these differences.

This research's draws from capital theory, which is discussed at length in chapter 2 and follows the Austrian school of thought in which transaction costs, as well as, the Resource Based View (RBV) of the firm are based on the assumption that assets, both tangible and intangible, are heterogeneous (Foss et al., 2007). It is this diversity of assets that allows each entrepreneur to maximise their use and leverage them in their enterprises' performance. In chapters 2 and 3 there are lengthy discussions on the different theories that researchers have used when looking at each one of the capitals, returnees and entrepreneurship. None of these individually supports the overall objectives of this study. These numerous theories form, what I have described as, a theoretical doughnut in which the centre is empty. This, in this study capital theory has been looked at as a way to fill the theoretical centre.

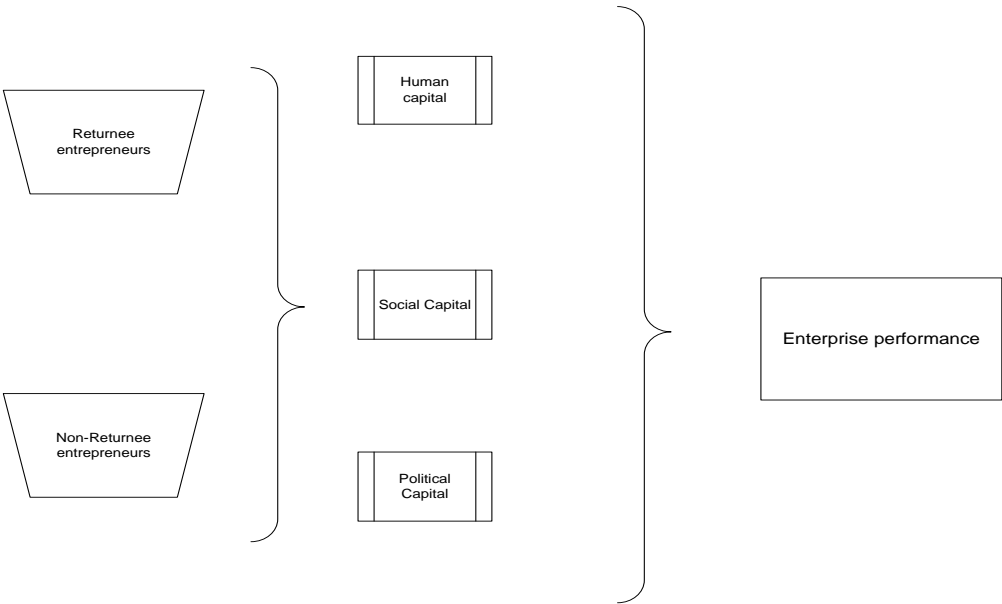
Capital theory, which has been influenced by Knights' (1934) concept of capital as a permanent and homogeneous source of value rather than a stock

of heterogeneous capital goods, has been linked with entrepreneurship studies in the past, since notions such as resources, competencies, capabilities and similar have made linking it to entrepreneurial studies seem natural (Foss et al., 2007). Lachmann (1978) proposed that 'We are living in a world of unexpected change; hence capital combinations will be ever changing, will be dissolved and reformed. In this activity, we find the real function of the entrepreneur' (Lachmann, 1978, cited in Foss et al., 2007, p. 1166).

The idea is that an entrepreneur will utilise all those acquired resources in order to make decision in conditions of uncertainty or more generally that an entrepreneur will draw from these resources or capitals in order to make judgements, 'If there is no obvious correct model or a decision rule is not available or when relevant data is unreliable or incomplete' ... or if 'Judgemental decision-making involves an element of improvisation rather than exclusive reliance on routines. It makes use not only of publicly available information but also of private information available only to a few. The exercise of judgment involves a synthesis of all this information, for it is rarely the case that a single item of information is enough for taking an important business decision. Although everyone makes judgemental decisions from time to time, only the entrepreneur specialises in this activity' (Casson, 2003, cited in Casson, 2005, p. 329), is thus central to this study. Entrepreneurs judgement and decision making comes from the entrepreneur using of the accumulate capitals when needed and as many times as may be needed to ensure the success of her/his enterprise.

This study aims to empirically examine if being a returnee entrepreneur is a determinant of enterprise performance while also examining if human, social or political capital helps explain the difference of performance between returnee and non-returnee started enterprises.

**Figure 1:** Framework: returnees versus non-returnee’s enterprise performance



Returnee founded firms have been shown to have a greater propensity to export (Liu et al, 2010), and internationalize (Bai et al., 2017). Some of these studies have identified gaps, some of which have been discussed earlier in this chapter and are reviewed in more depth in chapter 3. This study is based on the following two propositions: 1) Returnee entrepreneurs add more value to their enterprises and thus this results in better enterprise performance than non-returnees; 2) The use of human, social and political capital of returnee entrepreneurs in their enterprises reflects the differences of where they have



been acquired and thus, should help understand the differences in performance between returnee and non-returnee enterprises. The objectives of this research are the following:

- a. Explore and identify what difference, value, and impact that being a returnee entrepreneur has on enterprise performance by directly comparing them to non-returnees in the same locations and whether these results are similar in multiple geographical locations with different institutional and cultural contexts.
- b. Examine if, and the way that, returnee entrepreneurial performance is directly linked to the use of all three capitals, human, social and political.

This research seeks to add and expand on the current understanding of what are the differences between returnees and non-returnees, and if any, do they matter when evaluating enterprise performance. It also tries to overcome single location limitations by surveying entrepreneurs and their enterprises in four countries in order to avoid the single country anecdotal narratives of past research in favour of a more robust empirical exploratory pattern and theory building approach. I define provenance as international orientation/exposure, and all such orientation/exposure is accorded the same value, i.e., it does not matter where it is obtained, from an entrepreneur point of view, just the fact they went outside their home country. While at the same time, contributing to the current research on enterprise performance that helps to answer some of the

existing open questions in the existing IB and entrepreneurial literature. The research also attempts to avoid the single capital narrative of most social, human and political research.

The focus of this research, is to focus on returnees and their enterprises and compare them to non-returnees started enterprise performance, as well as, looking into the entrepreneur's human, social and political capitals, versus others such as technological or financial capitals, as a way to better understand or explain any differences in enterprise performance between returnees and non-returnees. The study is based on three main assumptions:

- a. Returnees by the fact that they have lived, worked and/or studied abroad have accumulated additional capital and that this capital is different from that that is accumulated by individuals in their home country. This first assumption also presupposes that this additional capital or 'top-up' is of value to the enterprise performance.
- b. The second underlying assumption is that these capitals are all inherently acquired by the individual and although identifiable in a general way. Their composition, value and depth remain a unique personal asset when compared to other tangible assets that can be acquired, financial or technological, for example. This idea that human and social capitals are unique properties of the individual has been researched and detailed in many studies (Bourdieu, 1986; Coff, 1997; Campbell et al., 2012). While the concept of political capital as a separate capital, is starting to be identified in the literature as of unique personal value to each individual (Chen, C. et al., 2010).

c. The third underlying assumption is that, in some way or another, all three of the selected capitals, are included in the more specific types of capital, technological under human capital and financial under social, for example. However, without denying that these separately identifiable capital(s) are indeed important, they remained outside the remit of the proposed research, since this research focuses mainly on those capitals that entrepreneurs directly bring within them in various forms and quantities and which are acquired by the individual, and drawn from the individual's experience, networks and affiliations (see table 1). The enterprises' performance was measured by focusing on pre-defined measures (see table 1), thus making these measurements both clear and reproducible.

As will be discussed further in chapter 2, this research seeks to both draw from and contribute to capital theory. One of the constraints and issues found so far, is that there are no single theories of human, social or political capital, entrepreneurship or expatriation (migration), thus this research helps bridge some of these theoretical gaps and when looking at returnee entrepreneurship by tying some of the loose ends and attempting to build a stronger theoretical framework. While we now understand some of the factors that affect returnees and enterprise performance, major gaps still exist in the literature, both theoretical and methodological. This research explores and tries to address some of these gaps.

**Table 1: Quantitative, qualitative, and performance measures-returnees**

<b>SELECTED CAPITAL</b>	<b>QUANTITATIVE MEASURES SURVEY</b>		<b>QUALITATIVE MEASURES-INTERVIEW</b>	<b>SOURCES</b>	<b>REFERENCES (selected)</b>
<b>HUMAN CAPITAL</b>	Education Training	Degrees Formal Informal	Education Training Experience Employment Location Training Employment Other: education Informal training	(Survey follow-up & check)  Survey  Interviews	Other Interviews OECD UNESCO  Teixeira & Tavares-Lehmann (2014) (education)  Cohen & Soto (2007) (Years of schooling)
	Experience	MNE SME Self-Empmt. Guilds Apprentices Internships			
	Type	Technical Admin			
<b>SOCIAL CAPITAL</b>	Affiliations	Selected from a list (see appendix 2)	Interviews Measures:	Survey Follow-up interview	Social media Organizations' websites  Ellis (2011) (entrepreneurial ties)
<b>POLITICAL CAPITAL</b>	Affiliations	Industry  Special interest groups  Given a list To choose From (see Appendix 2)	Measures Access to: Bureaucracy	Survey Interview	Interviews Chen et al., (2010) (connected firms-corruption)  Faccio et al., (2006) (politically connected Firm: Extel/ Lexis-Nexis databases 97-02)  Ufere et al., (2012) (entrepreneur/ bribes)
<b>PERFORMANCE MEASURES</b>	Accounting based (Easily available)	P&L Turnover EBITDA ROC		Industry Media Public records Audited/ self-prepared: company financials Private data sources (e.g. Canadian, Nielsen)	Industry: Studies Statistical data  Country: Statistical data  Reports: World Bank IMF OECD United Nations GEDI
	Financial based (Limited availability)	Stock Price  Market Value			
	Market Based (Limited availability)	Shareholder-returns  Market shares Industry growth			

## **Contributions**

The contributions of this research are twofold: first, it contributes to capital theory by looking at and attempting to better understanding what role, if any, that capitals have in enterprise performance. This study looks at the value that being a returnee brings to the enterprise while at the same time it also helps in the understanding of the interactions between capitals and the cumulative capital these interactions bring versus the single capital perspective of many studies. Second, it has practical implications for both practice and policy. From the returnee perspective, the better understanding of not only the role of each of the capitals on their enterprise's performance, but more importantly, what are the interactions between these capitals; since it may be the complementarity or substitutability between the capitals that can give the individual additional advantages in insuring their enterprises performance success.

## Chapter 2

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### Capital Theory

#### 2.1 Background

This chapter will review the theoretical background on which this research was based. In chapter 1, I have discussed some of the theoretical issues that are present within this research. These are namely that, all of the key areas: Returnees, and their relation to migration studies, entrepreneurship, human, social and political capital, have drawn from different theoretical perspectives which has been described as the doughnut effect in chapter 1, and which will further be explored in this chapter.

Although capital theory is quite broad, I draw mainly from Lachmann, and Bourdieu's neoclassical perspectives on capital theory. The Austrian school, and Lachmann (1947, 1978) in particular, diverge from the classical view of capital that is limited to money, assets and labour, as the key components of value generation within the firm, to a wider perspective that places capital heterogeneity at the centre of value creation. Lachmann's (1977) view that there are many types of capitals and that entrepreneurs use these capitals in different ways to create profits, allows us to move from the idea that capitals operate in equilibrium and that they must be regarded as ideal types. Bourdieu (1986), discusses the notion of fields, which are structured spaces and denotes areas such as production, services, or knowledge to name a few (Swartz, 2012).

Fields in turn, cannot exist without capital. For Bourdieu (1986), there are as many types of fields as there are forms of capital (Swartz, 2012). Bourdieu (1986) identifies capitals, or powers, of four different types: social, cultural, symbolic and economic, and some of these, in turn, can exist in other forms. Each of the capitals found in each can be 'transformed' or converted into another as none of the capitals are totally independent and the actors may mix and use these capitals in different ways.

This chapter will initially look at the evolution of the neoclassical concept of capitals and capital theory. This will include a multitude of value-added capitals that entrepreneurs utilise in their own unique way to deliver their enterprise's performance. The number of capitals looked at by researchers has grown significantly since Mincer (1958) and Schultz (1960, 1961), developed and established human capital theory. Bourdieu's interconvertibility theory allows us to think of capitals in three main different types: Economic, social and cultural. From these, many different forms of capital are derived, thus Bourdieu's idea of interconvertibility. This paper will focus on only three: Human, social and political. This research thus draws from both Lachmann (1947, 1977) and Bourdieu (1986) in that capital, which can take many forms, is acquired and utilised by entrepreneurs to generate profits and maximise their enterprises' performance. The total volume and composition of capital, forms an individual's accumulated capital, making each distinct. This chapter will look at how capital theory helps understand and explain these forms and how these forms the basis of looking at the entrepreneur's accumulation and use of them.

Most fields of enquiry in business studies, are indebted in some degree to economics (Kay, 1991). In some areas such as human capital, theoretical development has a long tradition and robustness while others such as entrepreneurship or migration less so. This theoretical development has been constantly faced with challenges as theories have been refined, corrected or rejected over time. Mainstream economics has tended to look at productive activities and the transformation of these inputs into some sort of consumer goods. Smith (1776) and Ricardo's (2009) discussions on the nature of capital and their views on the treatment of labour are well documented and analysed (Hollander, 1904; Sweetland, 1996), as are Marx's (2003) critique of political economy and his relationship between labour, value and production.

These views, for the most part, treated the firm as a production function, and viewed it as a type of 'black box' in which a transformation of inputs such as land, labour and capital into outputs such as consumer goods (Foss & Ishikawa, 2007). The classical view of capital is that it refers to money and/or the tools used to transform these inputs into outputs. However, even within this view, there were differences as to what constituted capital and how it was accumulated. Ricardo (2009), for example, incorporates population and food into the elements of capital accumulation.

The idea that human input is part of the capital equation was not explicitly discussed in early economic theory but tacitly acknowledged none the less. Smith (1776) acknowledges in his 'Inquiry', that all wealth has at its core an element of human effort. He goes on to list 2 principal components of this human effort: first, that labour is not just something you can count but it also



includes the use of abilities, skill, dexterity and judgment and second, that the ability that is acquired through apprentices or education, which in turn has a real cost associated with it, is thus a 'capital fixed and realized, as it were...in person' (Smith, 1776, p. 119, as cited in Sweetland, 1996, p. 343).

This evolution in economic thinking leads us to Marshall's *Principles of Economics* (1890/2009). Marshall's understanding of how businesses operated in his time, sets the basis of some of the future economic related discussion with regards to the firm, his focus and key tool of analysis is 'the representative firm', which results in his later discussion at the level of industry rather than individual agents and particularities (Kay, 1991). Marshall also defined personal wealth as to include all those things that that directly contribute to making people 'industrially efficient' such as energies, faculties and habits (Marshall, 1890/2009). Marshall went on to define capital so broadly that the previous definition of personal wealth could also be interpreted as capital. This also came with the proviso that these attributes of personal wealth have built in them a market exchange mechanism for determining value, thus avoiding the inclusion of human capital (Sweetland, 1996).

Although these economists expanded on the boundaries of existing capital theory, the black box was infrequently looked at from the inside to try to understand how the input factors are combined with the production process. The underlying assumption is that both inputs and outputs are in equilibrium, inputs are assumed to be put to their best uses and production has factors and finished goods, and thus is seen as a one stage process, rather than a more complex, multistage process (Foss & Ishikawa, 2007). Under this perspective,

capital is sometimes treated as a homogenous factor, in which capital appears alongside labour in the production function (Foss & Ishikawa, 2007).

The value of other inputs, in this case human participation in the process of production, was further expanded by Fisher (1896, 1906) who questions the existing definitions of capital. In addition to discussing the concepts of flow and time (Fisher, 1896) argues that in its 'broadest sense', wealth includes human beings and that their participation in the production process is in itself a form of capital (Sweetland, 1996). This expansion of what capital can be, allows for others to move away from the classical view of the firm and the notion that its sustained competitive advantage is based on equilibrium. This approach is picked up by Penrose (1959) and is imbedded in the development of the RBV (Foss & Ishikawa, 2007). The RBV, which also draws from the Chicago School's approach to industrial organizations, attempts to address the imperfections of the market (Barney, 1991; Barney et al., 2011; Alvarez & Busenitz, 2001), but it does not allow for the notion of disequilibrium which lies at the very core of the nature of entrepreneurship.

It is possible to use equilibrium models to look at the effects of entrepreneurship since entrepreneurship is always trying, by its very nature, to restore or upset this equilibrium, or the concepts of creative destruction and punctuated equilibrium (Schumpeter, 1939, 1950; Schumpeter & Redvers, 1934; Chiles et al., 2010). Contrary to the view of equilibrium, where a firm could easily replicate another firm's capital, in a world where capital is heterogeneous, resources may be combined in many ways and entrepreneurs may not have the knowledge or ability to determine all the possible combinations. Under these

conditions entrepreneurial judgment is needed to assess what resources may be needed and combine them and proceed to carry out the commercial venture (Foss & Ishikawa, 2007).

## **2.2 Capital theory-Substitutability and complementarity**

The Austrian capital theory diverges from neoclassical capital orthodoxy by placing capital heterogeneity at the centre of its thinking. This leads Lachmann (1978) to two concepts within his conception of a capital structure: capital heterogeneity and capital complementarity. For Lachmann (1977, 1986) every piece of capital has a purpose and capital heterogeneity emerges from the use of the entrepreneur's imagination to create new ideas, resources and markets (Chiles et al., 2010). This view proposes that within each capital's structure, the inherent disequilibrium brings together numerous creative actions, new thoughts to generate new outcomes, and increase variety (Chiles et al., 2010).

According to Lachmann (1986), in each capital structure, each capital good has a definite function and the various goods are thus complements, if, these goods are used for the same end. These goods are substitutes when a plan has gone wrong and these goods must be regrouped within another plan, what Lachmann (1978) calls 'Multiple Specificity' (Foss & Ishikawa, 2007). Thus, the form of capital as structure of a firm is derived from the plans that entrepreneurs make (Foss & Ishikawa, 2007). Entrepreneurs utilise their internal resources to choose among the multiple combinations of inputs that will be required to produce a desired output, a good or a service. In a market that is far from equilibrium, entrepreneurs use their expectations and resources to

generate new ideas, markets or resources (Chiles et al., 2010), and to do so use judgment. Judgement refers to the process that business-people use to estimate future outcomes in which the probability distributions are unknown (Knight, 1921).

This judgement is to be used both in existing operations, as well, as new ventures. If some of the inputs, or capitals, are lacking from the entrepreneur's arsenal, he/she may seek and hire third parties to assist, however, this demonstrates entrepreneurial judgment and capital ownership since this decision-making is about the best use of resources. 'An entrepreneur without capital goods is, in Knight's sense, no entrepreneur' (Foss & Ishikawa, 2007, p. 758).

Rather than just becoming a list of heterogeneous capital goods, the structure of capital goods becomes one because it is possible to say something about its overall structure by inspecting a few of these goods while having some knowledge of the principles of its composition (Lewin, 2005). This involves a level of complexity that is also tied to the use of knowledge by the firm or those within a firm. This complexity when it comes to knowledge, to use one capital good as an example, is not just related to knowledge management but also to knowledge development since these assets are vital to the firm (Lewin, 2005). The fruits of new knowledge cannot be predicted, thus the impact upon the firm, in its revenue streams for example, are very uncertain. This allows for different assessments and outcomes. A firm will do things differently with some of this capital because they have learnt to it 'their way' (Lewin, 2005). This complex relationship between multiple resources or capital goods, may be an

independent barrier since no two actors interpret the same events exactly the same, even if the capital goods are perfectly imitable (Rivkin, 2000).

It is Schumpeter (1963) and Knight (1921) who link the commercialization of new combinations and entrepreneurship based on the exercise of judgement and other personal characteristics to maximise the multiple possible combinations of capital goods. This expansion of the definition, potential combination and use of capitals (Lachmann, 1986) allows for these capital structures to be identified with individual entrepreneurs, this does not only indicate their heterogeneity but also implies their complementarity across and within organizations and is the basis for economy's complex network of capital structure (Chiles et al., 2010).

Some of these discussions on other forms of capital within the individual, leading to the analysis of what human capital is, transcends philosophical discussions by utilizing the same empirical methods that had been traditionally used and applied to capital machinery (Sweetland, 1996). However, for those involved in entrepreneurship research, the search for distinctive theories continues despite both the Austrian school and Schumpeter's (1963) notions of capital heterogeneity and notions of creative destruction (Phan, 2004). Although evolutionary theory, network theory, international entrepreneurship theory and the RBV, among the many theories applied within enterprise studies, help address specific cases but are in general not able to 'explain the emergence of entire populations' (Phan, 2004, p. 618), nor have any emerged as a dominant theory that entrepreneurship can claim as their own (Phan, 2004).

### 2.3 Theoretical models

The evolution of theoretical models involving human capital has had a long development period. It was, Mincer (1958), who developed a model that allowed both education and experience to be measured thus giving human capital theory a clear measurement tool (Sweetland, 1996). Mincer (1958) developed a tool that allowed researchers to measure the inequalities of personal incomes. He used the emerging definitions of capital described earlier in this chapter and labelled capital as human and non-human capital. Mincer (1958) looked specifically at training (education) and skills (experience) as the main tools to better understand how personal income is dispersed. He designed the model based on the premise that the income distributions of individual differences are a result of the free choice of the individual in the process of investment. This choice is mainly reflected in the length of time it requires to accumulate the selected human capital (Mincer 1958). His work looked at training, which he defined as formal and informal and his model incorporated both years of education and years of experience, reflected by the worker's age (Sweetland, 1996). Mincer found that the exchange of work years for education resulted in higher earnings and that higher skills also resulted in higher earnings (Mincer 1958).

Fabricant (1959) also proposed that intangible capitals such as human capital, helps explain improvements in productivity. Fabricant's (1959), and Mincers' (1958) work, were the base that allowed Schultz (1960, 1961), to establish human capital theory. He asserted that human capital formation is done by individuals acting in their own best interest (Blaug, 1976). The

methodological development led to both Becker (1962, 1964, 1994) and Blaug (1976) to look at education as something that is purchased in the same way as the purchase of any other capital asset. Education returns the individual and the enterprises that employ this individual a profit, as much as any other asset. The methodological development and discussions surrounding human capital theory are many and varied, however the theory has resulted in a rich and diverse body of work that has also helped influence other theoretical constructs such as the RBV and the Dynamic Resourced Based View (DRBV), as well as, research areas such as firm internationalization.

The Knowledge Based View (KBV), which in turn is directly derived from the RBV, sees the firm as a unique mix of resources and capabilities, which reflects the aggregation of a firm's human capital. Knowledge is one of the more strategically important resources of the firm on which it builds its competitive advantages (Bai et al., 2017). International entrepreneurship has moved on from the more traditional approach of market knowledge and commitment of the Uppsala model (Johanson & Vahlne, 1977), to one that emphasises the importance of the entrepreneur's human capital, represented here as the personal international experience and knowledge (Bai et al., 2017).

#### **2.4 Capital theory-Social and political capital-Bourdieu and interconvertibility**

As discussed previously in this chapter and in chapter 1, the emergence of new forms of capital such as human capital, its acceptance and use as a theoretical model in research, helped others explore other forms of capital. Human capital theory, for example, throughout its modifications and

refinements has for the most part retained the basic elements of capital in the classical sense. Human capital theory looks at capital as an investment: education, training and experience have expected returns defined as higher earnings. The surplus value that these increased earnings may generate, is spent on 'consumables' but some of it will be turned into capital (Lin, 1999). Other capitals likewise represent investments that generate some form of returns. Both social and political capital theory development rely in part on the work of Bourdieu (1986).

Social capital builds upon Bourdieu's work on social and cultural capital. The concepts are directly connected with ideas of class. He further identifies three dimensions of capital: Cultural, social and economic. Each one has its own unique relationship to class (Siisiäinen, 2003). For Bourdieu (1986) social capital is 'the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutional relationships of mutual acquaintance and recognition' (Bourdieu, 1986, p. 51).

Social capital is accumulated, and the total 'amount' of this accumulated capital by an individual actor is dependent on the size of his/her network and connections. The actor may thus use or 'mobilize' the economic, cultural or symbolic capitals of each of those that the actor is connected to. Social capital is never totally independent since every exchange supposes an agreement or understanding between the actor and the network, and this in turn requires a re-acknowledgement of a minimum of 'objective homogeneity' (Bourdieu, 1986). Social capital, in his view, represents investments by the dominant class in reproducing symbols that is its basis for continued power. However, this also



allows for the masses to acquire and make their own some of these symbols and meanings and generate a return from the investment or acquisition of these symbols (Bourdieu, 1990).

Individuals will go on to engage actively in networking and interactions in order to generate profits. The outcomes of these activities are enhanced by the embedded resources in social networks due to four reasons: first, it makes the flow of information easier; second, social ties may exert influence on the agents; third, the recognition by other actors or agents of the individual's social credentials and thus, the individual's access to resources through his/her networks, which cumulatively represents the individual's total social capital; fourth, social relations reinforce the individual's identity and recognition, which in turn are essential to the individual's entitlement to resources (Lin, 2017). It can be argued then, that at the relationship level, social capital can be said to be similar to human capital since the investments that are made by the individual are done with expectations of eventual returns, benefits or profits (Lin, 2017). Bourdieu (1986) also relates the conceptualization of capital to the specific arena in which this capital is to be used, thus political capital, for example, takes its form from the arena within it is utilized (Di Maggio, 1979, cited in Smart, 1993).

The networks that an individual creates or belongs to, forms part of an aggregate of resources that are, more or less, institutionalized into relationships of mutual acquaintance and recognition (Bourdieu, 1986). Social capital must then include some sort of obligations. These connections and obligations are the result of an investment strategy that consciously or unconsciously is aimed

at either establishing or reproducing social relationships that one way or another are used by the individual (Bourdieu, 1986). These connections and obligations are based not only on social position but also on trust, which for Bourdieu is a potential component of symbolic capital but also a key component of social capital (Siisiäinen. 2000).

Social capital, in contrast to economic capital, is not easily enforced nor measured. Obligation and trust are by their very nature somewhat vague and hard to measure. Obligation, for example, is expected but not certain, once it is used, it ceases to exist and prior to this there is no certainty that the obligation will be 'delivered'. Trust, likewise, depends on the perception, of both parties, that each will act in a way that is commonly understood and tacitly agreed. While symbolic capital relies on a family or individual's name, it does not rely on any particular relationships, social capital, however, is based on claims of reciprocity from and by the individuals involved and by necessity requires both trust and unspecified sense of obligation (Siisiäinen, 2000).

Putnam (1995, 1996) sees trust, norms, obligations and networks as central to the concept of social capital. Some researchers have focused on the position of an individual in a network as central to understanding social capital (Burt, 1992), and the strength of his/her ties (Granovetter, 1973). Others have also incorporated Bourdieu's (1986) ideas on the relationship of capital and power. In social resource theory, for example. power, wealth and status represent the most valued resources in most societies (Lin, 1982, as cited in Lin, 2017). Embedded resources have been used as valid measures for social capital which is analysed by looking at the variety and/or amount of any of 'the

characteristics of others with whom an individual has direct or indirect ties' (Lin, 2017, p. 36). For Bourdieu (1996), all capitals, or power, which for him amount to the same thing, are resources in all fields and the accumulation of a capital is seen as the struggle within one particular field, of which there are many since he views society as a plurality of social fields.

Each social field is different from another and has a unique profile that depends within each of the forms of capital of the proportionate importance within it (Siisiäinen, 2000). This struggle revolves around the consideration of power in each particular field. Bourdieu sees an overreaching field of power coming from a basic structure and hierarchy of all the fields and specifically discusses the opposition between those rich in either economic or cultural capital (Bourdieu, 1996), and thus equates forms of power with forms of capital while at the same time supports the idea of multiple forms of capital.

While supporting this idea of multiple forms of capital, Bourdieu (1986) also seems to recognise that not all these forms are equal. Starting from the view that economic theory reduces exchanges to purely material concerns and that they focus on profit maximization and by extension, self-interest. Other forms of exchange, which may not be directly concerned with an immediate realization of 'profit' and are not overtly seen as self-interest are defined as 'disinterested'. These disinterested forms are defined as those 'forms of exchange which ensure the transubstantiation whereby the most material types of capital-those that are economic in the restricted sense-can present themselves the immaterial form of cultural capital or social capital and vice versa' (Bourdieu, 1986, p. 46). In his view the different types of capital

regardless of if they are interested or disinterested can change into another form. This change or interconvertibility starts as a single, specific form of capital and is exchanged to create a different form of capital and depending on the field in which it functions and at a cost determined by the expense of the transformations, which are necessary for the efficacy of the field in question (Bourdieu, 1986, 1990).

Some forms of interconvertibility are not possible in every direction. Social and cultural capital have between them a closer relationship than either of them has to economic capital. At the same time, the process has a measure of time and returns that makes it less than immediate. During the process of transformation, capital, or power, is expended and such variables as likelihood of returns and time will impact the amount of power that is expended (Casey, 2008). This expenditure is not lost per se, since capital gains may occur in the field, it is applied to, as a by-product of this, transformation (Casey, 2008). As an example, this idea of the transformative nature of capitals has been used in migration and returnee studies by looking at how cultural capital of the migrants and resources such as accents, knowledge and even skin colour can be converted into national capital in order to legitimise themselves in the host country (Hage 1998, cited in Erel, 2010).

The formation of capital is a process and as it is being formed and developed, it interacts with other forms of capital. Economic capital, for example cannot exist without contributions from many sources: human, social, institutional and others. Non-material capital forms assist in the creation of economic capital and vice versa. There are no ideal capital types per se.

Capitals by their very nature draw from other capitals, this constant interaction allows for other forms of capital to be created and used and in turn contribute to the original capitals that helped in its conversion. Capitals and their effects have been well studied (Putnam, 1995) but the underlying mechanisms that help create social capital are less well understood (Glaeser et al., 2002). A converted capital and its resources are an aggregation through production, or labour, by an individual into a product (Casey, 2008). This aggregation converts the assets of several capital into others by the individual and thus, the new capital is used in a particular field to increase the individual's returns in that particular field. This process can be either active, in which the actor knowingly seeks and aggregates resources, or passive, not done without any particular intention, yet yielding an outcome that is distinguishable from others.

## **2.5 Conclusion**

This chapter explores capital theory and its value in looking at and understanding the nature of neo-classical capitals, their definitions and how these apply to the study of returnee entrepreneurship. I began by looking at how capital theory has evolved from Marx (2003) and his idea of surplus value, in which capital was an asset used in the means of production, to a wider view, taken by the Austrian school among others, that expand these definitions to a more heterogeneous view of these resources (Kirzner, 1973 , 1997). I have also looked at Bourdieu's definitions of capital, and in particular social capital, the idea that a capital can be converted into another one and finally, I discuss the notion of capitals as complements or substitutes within an entrepreneurial environment. An environment that is constantly changing and going from short

periods of equilibrium to disequilibrium thus allowing entrepreneurs to utilise their capital in multiple ways in order to take advantages these changes offer.

As will be discussed in subsequent chapters, capital accumulation in its numerous forms, is the underlying value that an entrepreneur brings to his or her enterprise. Returnees, by virtue of their exposure to different environments, add to their capitals in ways that may vary from those that never leave their home country. These variations in capitals may help explain the difference in performance between returnee and non-returnee founded enterprises. In this study, I have taken the economic approach that focuses on returnee's investment decisions which allows them to benefit from market and non-market returns from interactions from others (Glaeser et al., 2002). The type, form and value of these capitals will be explored and discussed through the dissertation. Capital theory should assist researchers further identify and explore different types of capitals, as well as, their interactions as a way to better understand enterprise performance.

## **Chapter 3**

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### **Conceptual framework**

#### **3.1 Research background**

As outlined in chapter 1, this research sets out to investigate the impact that returnee entrepreneurs, as compared to non-returnee entrepreneurs, have on their enterprises' performance. This chapter seeks to explore and understand the current body of work in relation to returnees, human, social and political capital acquisition, retention and use. This review and analysis thus help to frame the current research both by understanding past studies, theoretical and empirical work and highlighting where this research contributes to the existing literature.

#### **3.2 Enterprise performance and returnee entrepreneurs**

The value of acquired skills, education, training and experience in enterprise performance has been amply researched and explored. Past studies have shown that sector experience, high formal business education, commercial and managerial experience all tend to have a positive effect on performance of new technology-based firms (Ganotakis, 2012; Dai & Liu, 2009; Westhead et al., 2001). Where these skills and education were acquired has led to a specific literature in IB, in which the value of acquiring these skills and knowledge outside the individual's home country is directly linked to their enterprise performance (Bai et al., 2017). This need for research into expatriate skill spill-overs has been of interest to researchers looking at Indian and

Chinese returnees (Qin & Estrin, 2015; Liu X. et al., 2010). Approximately 820,000 foreign trained Chinese scientists and students had returned to China out of around 2.5 Million who had left to pursue studies overseas (National Bureau of statistics-China, 2012), and over 160 industrial parks with over 8,000 enterprises have been created as a direct result of these returnees (People's Daily, 2013).

A survey among returnee entrepreneurs to India showed that 82% of those felt that their home country offered better opportunities for start-ups than, the Organization for Economic Co-operation and Development (OECD) country, they had lived in previously (Wadhwa et al., 2011). The impact of this skills transfer-back has been looked at by researchers in two ways: 1) FDI and knowledge spill-over effects on local entrepreneurs and 2) the direct effect that returnee entrepreneurs have on enterprise formation and elements of success such as exports or innovation. Foreign investment in developing countries is now seen as having an important role, rather than a unique role, as was assumed in the past, in technological spill-overs (Filatotchev et al., 2011); of these potentially positive spill-overs, human capital development is seen as a major contributor to the receiving country's human capital development. These can be both direct, i.e., MNE's employment of locals, and indirect, as these locals in turn move on to other firms, or start their own, and transfer some of these acquired skills to others (Chen & Tan, 2016).

The effects of cross border human mobility in the form of returnee entrepreneurs and enterprise performance has been looked at in several studies, however, this section will focus on three. The first is a study was



conducted in one industrial park in China, it concluded that the presence of returnee entrepreneurs indeed acts as a channel for international technology transfers to other local firms (Liu X. et al., 2010). The value that these transfers have to a nation, to a local economy and to the enterprises themselves have usually been explored within the role that MNE's play and their capacity to expatriate, train and bring back these skills to a country. In the 2010 study, returnee entrepreneur density and spill-over effects to non-returnee founded firms were used to look at the importance on innovation. However, Liu et al., (2010)'s study was limited to looking at the impact of skills transfer, FDI and inter-firm mobility on innovation performance in Chinese high-tech firms and did not look at the overall impact on enterprise performance from a financial point of view.

The second, is a study that used the KBV to better understand the value of human capital on returnee founded enterprises in a single industrial park in China (Filatotchev et al., 2009). The study looked at human capital, returnee entrepreneurs, and knowledge transfer and the resulting increase in export orientation, sales, of returnee founded enterprises. The study highlights the impact on the mobility of returnee entrepreneurs on their firm's internationalization (Filatotchev et al., 2009). The third study looks at returnee founded enterprises in China. It looks at the effects of the returnee entrepreneur's international experience on the internationalization of their firms (Bai et al., 2017). It uses the KBV to better understand if the firm's value creating activities are knowledge dependant and thus that international experience, acquired by returnee entrepreneurs, and international market knowledge

acquired by returnee entrepreneurs does act as the driving mechanism for these firm's internationalization. However, this study does not compare returnee and non-returnee enterprises directly (Bai et al., 2017). Returnees may initially work for an MNE and then decide to start an enterprise, thus the capital acquisition not only relates to that acquired outside the home country by the returnee but also the knowledge acquired from the MNE itself.

Returnee entrepreneurs' direct impact upon a firm's creation and performance is a subject that has also attracted attention within the IB literature. A study done at one of the largest science parks in China concluded that 'while knowledge transfer and global networks are sources of global advantage for SME's owned by local and returnee entrepreneurs, it would appear that returnee presence adds additional advantages, perhaps related to their cognition of export possibilities' (Filatotchev et al., 2009, p. 1017). The recognition that returnee entrepreneurs have indeed characteristics that differentiates them from non-returnee entrepreneurs and the effects these differences have on enterprise performance is starting to be both recognised and explored in IB literature. A study by Dai & Liu (2009), compared returnee and non-returnee enterprise performance at an industrial park in China. The study utilized the KBV to better understand the impact and value that being a returnee entrepreneur had on their enterprises when compared to those that had remained in China. The study looked at the relationship between knowledge and networks and firm performance. It found that both commercial knowledge and academic technical knowledge had positive effects on returnee founded firms, while international networks had a positive effect on both

returnee and non-returnee firm's ability to increase sales and profits (Dai & Liu, 2009).

The fact that the skills acquired by returnee entrepreneurs overseas may be an important factor underpinning SME innovation and performance (Westhead et al., 2001) and that acquired social capital, in this case acquired while abroad, may also enhance firm performance. Liu et al., (2010) also point to the increased interest in the effects that returnee entrepreneurs have on entrepreneurial enterprises. The studies highlighted in this chapter (Dai & Liu, 2009; Bai et al., 2017; Filatotchev et al., 2009; Liu et al., 2010) have tended to focus on knowledge accumulation, transfer and networks in order to explore the firms' export propensity, internationalization and overall performance. These studies have tended to select more mature enterprises rather than pure start-ups. I have focused on these studies in this section for those reasons. The literature also provides some examples of returnee enterprise start-up success (Black & Castaldo, 2009; Kenney et al., 2013; Wahba & Zenou, 2012).

Some studies have focused on the propensity for returnees to be entrepreneurs once they return to their home country. These studies have looked at returning migrants' education (Wahba & Zenou, 2012), social networks (Wright et al., 2008), savings made while abroad (Dustman & Kirchkamp, 2002). Age and gender, as some of the explanatory variables, were also used in trying to better understand returnee start-up propensity and/or success in some of the studies mentioned above. Most studies on returnees and their enterprises have focused on a criterion, such as: internationalization (Bai et al., 2017); success in starting up a firm upon returning home (Black &

Castaldo, 2009); or the propensity to become an entrepreneur (Wahba & Zenou, 2012) a few have made direct comparisons between returnees and non-returnees. While doing this they have looked at knowledge and orientation (Dai & Liu, 2009); and local knowledge and international business networks (Liu et al., 2010). All but one has been single country studies. For a summary of studies in this area, see table 2.

The acquisition of skills, education and networks overseas by those who leave their home countries, may result in these individuals adding to their existing base of skills, education and networks acquired and developed in their home country. These additions to their home developed base of human, social and political capitals are what I have denominated 'top-ups'. A 'top-up' thus refers in this study as the addition of any skill, education, and experience to their human capitals and the creation, participation, or involvement in any social and/or political groups, as well as, any individual that enhances their social or political network.

**Table 2: Comparative studies-returnees**

Author and subject	Theory	Methodology and variables used	Research Objectives	Results summary	Relevant Variables to this research	Comparative results and comments
<p>Honig (1998)</p> <p>Human, financial and social capitals and enterprise performance</p>	<p>Investment theory</p> <p>Social capital theory</p>	<p>Survey</p> <p>log starting capital; log profit; received a loan; years trade experience; number of employees gender; age in years; primary; secondary; high school; college; non-formal/vocational; ever married; parents ever married; mother high occupation; father high occupation; semi-weekly church</p>	<p>This research examines the performance of 215 informal microenterprises in Jamaica, studying the influence of human capital, social capital, and financial capital of the owners on their business profitability</p>	<p>Education appears to have different outcomes with the two different groups. Owners with employees appeared to be bimodal, capitalizing on either primary education or college education. Owners without employees took advantage of both their secondary referent, and high school, failing to capitalize on a college education, the financial, human capital, and social status variables were found to vary considerably between the two groups. The effects of human, social, and financial capital available to a microenterprise were found to have a differential impact on the financial performance for firms with employees versus firms without employees</p>	<p>Country Gender Age Returnees=yes/no Industry-1=Upstream 2=Downstream Start-up Number Employees Start-up Graduated High School y/n Graduated Vocational school y/n Graduated Undergraduate University y/n Graduated postgraduate University y/n Graduated PhD studies y/n experience years. Enterprise Revenue</p>	<p>Research parameters were different. However, differences in human capital outcomes were also found in this study. The variances in the amount of human and social capital were not as marked. This study did not focus on ethnicity as such. It did consider variances by country and thus implicitly some ethnicity. Variables like parent's occupation were not used in this study.</p>
<p>Davidsson &amp; Honig (2003)</p> <p>Human and social capital in nascent entrepreneurship</p>	<p>Human capital &amp; Social exchange</p>	<p>Survey</p> <p>Human capital: Years education; Business classes taken; Years of experience as a manager; Years' work</p>	<p>This study examines nascent entrepreneurship by comparing individuals engaged in nascent activities (n = 380) with a control group (n = 608), after screening</p>	<p>Bridging and bonding social capital, consisting of both strong and weak ties, was a robust predictor for nascent entrepreneurs, as well as for advancing through the start-up process. Regarding outcomes like</p>	<p>Country Gender Age Industry-1=Upstream 2=Downstream Start-up Number Employees Start-up Graduated High School y/n Graduated Vocational school y/n Graduated</p>	<p>Human capital in general was not significant with regards to enterprise performance. Education was significant for returnees. Some of these varied by country.</p>

		<p>experience; previous start-up experience. Social capital: Parents in business; Encouraged by friends or family; Close friends or neighbours in business; Contact with assistance agency; Member of a start-up team; Member of a business network; Married. Control variables: Gender, Age. Ties/resources: information; Trust. Survey</p>	<p>a sample from the general population (n = 30,427).</p>	<p>first sale or showing a profit, only one aspect of social capital, viz. being a member of a business network, had a statistically significant positive effect. The study supports human capital in predicting entry into nascent entrepreneurship, but only weakly for carrying the start-up process towards successful completion</p>	<p>Undergraduate University y/n Graduated postgraduate University y/n Graduated PhD studies y/n experience years Revenue. trust</p>	<p>Current study matches the findings with regards to human capital. Study did not compare successful vs unsuccessful entrepreneurs.</p> <p>Strengths of ties was not measured in this study.</p>
<p>Rauch et al. (2005) Human capital</p>	<p>human capital theory</p>	<p>Survey Number of employee's, school degree and degree of vocational training. Interview measures were on owners' management experience, degree of vocational training of father, prior self-employment experience, prior self-employment in the same type of industry</p>	<p>The role of personality traits in the decision to start a business and to maintain it successfully is discussed controversially in entrepreneurship research. Our meta-analysis builds upon and extends earlier meta-analyses by doing a full analysis of personality traits that includes a comparison of different traits from a theoretical perspective and by analysing a full set of personality predictors for both start-up activities as well as successfully established enterprises</p>	<p>Owners' human capital as well as employee human resource development and utilization affect employment growth. Moreover, human resources development and utilization was most effective when the human capital of employees was high. We conclude that human resources are important factors predicting growth of small-scale enterprises.</p>	<p>Gender, age, education, experience. Revenue. Years in business.</p>	<p>Human capital was not significant with regards to enterprise performance. The more education the less performance when compared with those with less.</p> <p>This study did not measure the employee's human capital just the entrepreneurs. The amount of education was inverse to enterprise performance. The study looked at all types of enterprises not just SMEs</p>

<p>Unger et al., (2011)</p> <p>Human capital</p>	<p>NA</p>	<p>Meta-analysis. used a number of different strategies to identify studies reporting relationships between human capital and entrepreneurial success Our search resulted in 495 studies</p>	<p>Variable relating to Human capital investment only:  Education, general Education, level Education, years Education, non-formal Education, parent Start-up/owner experience Industry specific experience Management experience. Management exp., yes/no Management exp., years Management exp., level Management exp., number positions. Work experience Business education Parent entrepreneur Deliberate practice Marketing experience International experience Related work experience. Similar business experience Specific learning experience Specific vocational training Technological experience Combined index of experiences Finance experience. Knowledge intensity Large firm experience Leadership experience Learning orientation Learning strategy Marketing courses. Related production experience Small firm experience Technical training</p>	<p>The study meta-analytically integrates results from three decades of human capital research in entrepreneurship. Based on 70 independent papers, they found a significant but small relationship between human capital and success. The review examined theoretically derived moderators of this relationship referring to conceptualizations of human capital, to context, and to measurement of success. The relationship was higher for outcomes of human capital investments (knowledge/skills) than for human capital investments (education/experience), for human capital with high task-relatedness compared to low task-relatedness, for young businesses compared to old businesses, and for the dependent variable size compared to growth or profitability. Findings are relevant for practitioners (lenders, policy makers, educators) and for future research. The findings show that future research should pursue moderator approaches to study the effects of human capital on success. Further, human capital is most important if it is task-related and if it consists of outcomes of human capital investments rather than human capital investments; this suggests</p>	<p>Gender, age, education, experience. Revenue. Years in business.</p>	<p>Results did match those in this study. Human capital, particularly education for returnees was significant with regards to enterprise performance. Not significant for entrepreneurs as a whole. This study did not measure the outcomes employees' human capital such as knowledge and skills. Education was measured in the type of degrees achieved not years of schooling. Both studies agree that THC investments were not indicative of success</p>
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				that research should overcome a static view of human capital and should rather investigate the processes of learning, knowledge acquisition, and the transfer of knowledge to entrepreneurial tasks.		
Ganotakis & Love (2012)  Human capital and enterprise propensity to export	The theoretical basis in macro-economic models of the benefits from trade and openness.	The empirical analysis is based on data from a representative survey of UK new technology based firms (NTBFs). These are defined as firms that are independently owned (i.e., the founder(s) owns at least 50% of the company), are less than 25 years old and belong to a high technology sector.  Exporting performance. Exports in 2004 – whether a firm was an exporter in 2004. Percentage of exports in 2004 – amount of export sales in relation to total sales in 2004 (%). Innovation variables. Percentage internal R&D – R&D	Theory strongly suggests the existence of learning by exporting, but the empirical literature has produced mixed results in terms of the effect of exporting on productivity, and to some extent on innovation. Using a sample of high-tech SMEs based in the UK, we find evidence which is consistent with the existence of learning by exporting, but which suggests that the nature of any such effect is subtle and dependent on the export entry and exit behaviour of the firms concerned.	Using a sample of high-tech SMEs based in the UK, we find evidence which is consistent with the existence of learning by exporting, but which suggests that the nature of any such effect is subtle and dependent on the export entry and exit behaviour of the firms concerned. Once the effects of other knowledge sources are allowed for, our results suggest that exporting helps high-tech SMEs innovate subsequently but does not make them more innovation intensive. There is also evidence that it is consistent exposure to export markets that helps firms overcome the innovation hurdle, but that there is a positive scale effect of exposure to export markets which allows innovative firms to sell more of their new-to-market products on entering export markets. Our results also suggest that (knowledge-intensive) service sector firms are able to reap the benefits of exposure to export	Gender, age, education, experience. Revenue. Years in business.	Results did not match those in this study. Propensity to export was not measured.



		<p>undertaken within the firm (% of R&amp;D expenditure in relation to total expenditure). Percentage external R&amp;D – R&amp;D undertaken outside the firm in the form of totally outsourced contracts (% of R&amp;D). Employment (number). Part of a group (other company owns less than 50% equity or firm is head of group). Firm age (years). Percentage of workforce with degree (%). Government and EU assistance. Government assistance on R&amp;D for product/process</p>		<p>markets at an earlier (entry) stage of the internationalization process than are manufacturing firms.</p>		
<p>Sanders &amp; Nee (1996)</p> <p>Human and social capital</p>	<p>Middleman minorities.</p>	<p>Secondary data</p> <p>Self-employed Family Composition Variables. Married, Number of relatives of the household head aged 18. Number of relatives of the household head aged 13-17. Human Capital Variables: Years of</p>	<p>We examine how self-employment among Asian and Hispanic immigrants is affected by family composition and human capital/class resources. Because of collective interests and strong personal ties, the family facilitates the pooling of labour power and financial resources. Enterprising immigrants draw on these</p>	<p>Family strategies for economic action coordinate the behaviour of individual family members with macro processes embedded within the family. The joint operation of these levels of behaviour facilitates self-employment. But our findings also demonstrate the importance of human capital/class resources for immigrant self-employment. Consequently, business ownership among some groups such as</p>	<p>Country of origin Gender Age graduated High School y/n Graduated Vocational school y/n Graduated Undergraduate University y/n Graduated postgraduate University y/n Graduated PhD studies y/n experience most important groups for business 2 Trust People in your ethnic group</p>	<p>Research parameters were different. Family and ethnicity were measured. Employment opportunities vs. starting a business or delaying starting a business match some of the results of the study. This study looked at immigrants to the USA. It did find that higher levels of education make</p>

		<p>school completed. English proficiency (5-point Likert scale), Control Variables: Years of school in the U.S. Professional occupation Years of age. Migrated 1975-1980. U.S. Citizen. Female. City of residence. Country of origin.</p>	<p>resources when establishing and operating small businesses.</p>	<p>Puerto Ricans and Mexicans are depressed because of a lack of human capital. Other groups such as immi-grants from India and the Philippines possess personal human capital that is valued in the general labour market. Because their human capital leads to desirable careers, self-employment is lower for these groups than might otherwise be the case. On balance, the pervasiveness of immigrant-owned busi-nesses in the United States can best be understood in terms of the combined effects of human capital/class resources and social capital embodied in family relations.</p>		<p>the individual more employable (and better payed) than starting a small business. This mirrors the results of the study in which lower education levels led to better performance. Individuals compensate for lower levels of education by deciding not to employ themselves and start an enterprise.</p>
<p>Wright et al. (2008)</p> <p>Human capital and entrepreneurship</p>	<p>Human and Social capital</p>	<p>The study uses a unique, hand-collected data set of 349 SMEs from Zhongguancun Science Park in China, including 53 SMEs from locations administered by universities.</p> <ol style="list-style-type: none"> <li>1. University location choice</li> <li>2. Employment growth</li> <li>3. Education abroad</li> </ol>	<p>Building on an asset complementarity perspective, human capital and social capital measures are used to examine the science park location decisions of returnee entrepreneurs and the performance of their ventures. The article considers the antecedents of university and non-university science park location and firm growth with a view to drawing conclusions that go beyond the specific context of Beijing and China. Its findings include the tendency for</p>	<p>Results provides strong support for our asset complementarity approach since returning entrepreneurs with codified academic knowledge in terms of patents are likely to find the complementary assets, they need on a non-university park and that this is reflected in the performance of their ventures. The pattern is mixed and dependent on the type of practical business experience for each type of science park. Prior human capital derived from start-up experience may influence location on a university science</p>	<p>Country of origin Gender Age. Graduated Undergraduate University y/n Graduated postgraduate University y/n Graduated PhD studies y/n experience most important groups for business 2</p>	<p>Research parameters were different. However, the results reflect this study prior experience does not translate directly into better performance. The measurement of networks differed to this study and is not comparable. This was a single location study. It looked primarily at patents and where the person had studied as the key variables to determine performance.</p>

		<p>4. Experience in MNCs</p> <p>5. Previous ownership</p> <p>6. Knowledge from abroad</p> <p>7. International networks</p> <p>8. Number of patents</p> <p>9. Age</p> <p>10. Size (log)</p>	<p>returning entrepreneurs with academic knowledge in the form of patents transferred from abroad to locate in non-university science parks, and for those with previous firm ownership abroad to choose university science parks.</p>	<p>park but is not significantly associated with performance. In contrast, social capital, as reflected in international business networks, is not significantly associated with location on a university science park but it is associated with performance. In another context who find that social capital is much more strongly associated with performance than is human capital. The evidence shows that international aspects of human and social capital are important for performance but not location. They find a positive but insignificant relationship between returnee entrepreneurs with education obtained abroad and location on a university park, but a significant negative relationship between education obtained abroad and the performance of ventures in university science parks. This suggests that some academically oriented returnee entrepreneurs may not seek complementary assets but rather aim to link with those with a similar worldview.</p>		<p>It did point out that social capital (networks) were important when determining performance. This aspect is particular to China and the need for networks in order to develop products and seek markets.</p>
<p>Faccio et al., (2006)</p> <p>Political capital</p>	<p>None defined.</p> <p>Rent seeking</p>	<p>Secondary source. Quantitative</p> <p>Connected; log (employees); collateral; ROA;</p>	<p>The study undertakes a systematic examination of the link between political connections and corporate bailouts. It studies 450 politically connected firms in 35 countries</p>	<p>After controlling for other factors, politically connected (but publicly traded) firms are more likely to be bailed out than are their non-connected peers. Both connected and non-connected firms are more</p>	<p>Political networks, belong to a political party returnee belong political party other country in contact with parties belong to a political action group if yes has it</p>	<p>The direct value of political connections and the benefits received were not measured as such in my study. Political capital alone was</p>

	activity/public sector.	Leverage; GovStake; Privatized; SD; Corruption; log (GDP per capita); IMF/IWB aid; Intercept; Bailouts of connected firms; Bailouts of non-connected firms	over the period 1997 through 2002, along with a set of matching firms. Do political connections lead to preferential corporate bailouts? Are bailouts of politically connected firms more likely in countries that receive International Monetary Fund (IMF) or World Bank (WB) rescue packages? Is the financial performance of politically connected bailed-out firms different from that of no connected bailed-out firms?	likely to be bailed out when their home government receives an IMF or WB assistance package than when it does not. When the IMF or WB provides aid, politically connected firms are disproportionately more likely to be bailed out by their home countries in comparison to their non-connected peers. Among bailed-out firms, those that are politically connected exhibit significantly poorer operating performance than their non-connected peers at the time of the bailout and over the following 2 years. Connected firms make greater use of debt financing than do their non-connected peers.	helped your company in any way if yes does your affiliation to political parties benefit your enterprise any member of your group1 help your enterprise politically any member of your group2 help your enterprise politically Bribes to secure favour permits etc. with government.	not significant in my study. The measure (corruption) was also used in my study. Its value was not assessed in the same manner. None of the other variables were the same.
Zhou (2013) Political capital	new institutional theory	Survey and Interviews  Reinvestment rate. Political connection. High level connection. Low level connection. Firm age. Firm size. City firm. Public firm. Return on sales. Gender. Education. Age. Property rights security. origin	The purpose of this paper is threefold. First, it aims to demonstrate systematically how political connections affect entrepreneurial reinvestment. Second, it applies this relationship to a subsample group, i.e., Small and Medium Enterprises (SMEs), in order to empirically test whether political connections are more beneficial for large firms or SMEs. Third, it demonstrates that political connections substitute for, rather than complement, formal market and legal institutions	Political connection indeed has a significantly positive effect, suggesting that entrepreneurs/firms with political connections perceived more secure property rights, with being politically connected increasing odds of property rights security further shows that high level connection has a stronger effect than low level connection, suggesting that high level connections are more useful in protecting property rights. Substantively, high level connection increases the odds of property rights security firm size	Political affiliations, benefits, corruption	The measurement of the levels of connection differed from this study significantly and so did the outcomes. Political capital was not of significance in my study. The value of political connections in china has been clearly identified in the literature. It is less visible in other countries. The intensity measurement used in this study was different than the basic

				<p>has an almost zero effect on property right security Overall, firm size has a significantly positive effect. This may be partly because larger private firms usually enjoyed better treatment from the government, and had more economic opportunities (IFC, 2000).</p> <p>Education of the entrepreneur, however, has a negative effect. One possible explanation for this is that entrepreneurs with higher education were more likely to work in urban service sectors, which usually had lower reinvestment rates than the rural manufacturing sector.</p>		<p>identification of political capital value in mine.</p>
<p>Tsai &amp; Ghoshal (1998)</p> <p>Social capital. Social interaction ties; trust and trustworthiness shared vision; product innovations</p>	<p>Social capital</p>	<p>Survey</p> <p>Social interaction: Time spent</p> <p>Social interaction: Close contact</p> <p>Trustworthiness: Reliability</p> <p>Trustworthiness: Promise keeping</p> <p>Shared vision across units</p>	<p>Using data collected from multiple respondents in all the business units of a large multinational electronics company, we examined the relationships both among the structural, relational, and cognitive dimensions of social capital and between those dimensions and the patterns of resource exchange and product innovation within the company. Social interaction, a manifestation of the structural dimension of social capital, and trust, a manifestation of its</p>	<p>Five of the seven predicted links were significant. Social interaction had a significant, positive effect on re-source exchange and combination Social interaction showed a positive, direct effect on trustworthiness Contrary to our prediction, no evidence supported a direct effect of social interaction on the existence of a shared vision. Shared vision showed a significant, positive effect on trustworthiness It is note-worthy that in this sample, social interaction and shared vision were quite different from each other, and</p>	<p>Trust: Number employees Trust People in your ethnic group Trust people in other ethnic groups Trust other entrepreneurs Trust your employees Trust customers Trust people in group1 Trust people in group2 Trust most people in my2groups avoid being taken advantage of When referring to money networks trust each other trust local government employees trust regional government employees</p>	<p>Social interaction and vision were not used in my study. Trustworthiness was. The importance of trust in this study is also trust and social interaction and the creation of value were the main areas of interest and are partially reproduced and validated in this paper. Trust was used in this study in some models as a proxy for social capital.</p>

		<p>Shared organizational vision</p> <p>Resource exchange</p> <p>Product innovations</p> <p>Business unit size</p>	<p>relational dimension, were significantly related to the extent of interunit</p>	<p>they both promoted assessments of high trustworthiness. Put differently, inside a firm social interaction and shared vision are two different sources of trustworthiness. At the same time, it would appear that strong social interaction is not a prerequisite for creating a shared vision.</p> <p>Trustworthiness was found to be positively associated with resource exchange and combination the more trustworthy an actor was, the more other actors would exchange (or combine) resources with the actor. However, Shared vision did not show a direct effect of resource exchange and combination in our sample. In other words, our data suggest that a shared vision can influence resource exchange and combination only indirectly, via its influence on trust. Resource exchange and combination did create value for the firm through a significant, positive effect on product. As expected, social interaction and trust were significant determinants of resource exchange/combination.</p>	<p>trust national government employee.</p>	
<p>Liu et al. (2010)</p> <p>Returnees and enterprise performance</p>	<p>Industrial economics and new growth theory</p>	<p>Secondary data.</p> <p>Annual reports</p> <p>ZSP industrial park.</p>	<p>International entrepreneurial orientation</p> <p>Knowledge obtained abroad</p> <p>Knowledge obtained locally</p>	<p>The results from the overall sample indicates that firm performance is strongly related to in-house R&amp;D (1% level), entrepreneurs' local knowledge (5% level) and international</p>	<p>Size, Age, ownership, returnee (Y/N), Returnee density</p>	<p>The results of this single location study have been validated in this study: Returnee enterprise performance. The data</p>

China		<p>1318 firms (128 returnees' firms)</p> <p>High tech firms only</p> <p>Innovation performance</p> <p>Internal R&amp;D</p> <p>Size, Age, ownership, returnee (Y/N), export intensity, MNE Mobility, FDI Intensity, Returnee density x FDI intensity, imported technology, patents per employee, Ownership.</p>	<p>International business networks</p> <p>Business performance</p> <p>They used the number of patents possessed by the sample firms (PAT) to measure technological knowledge acquired, and R&amp;D (RD) expenditure is used to represent internal technological capability. Commercial knowledge is measured by the following items: (1) new commercial technologies; (2) new business ideas and opportunities; (3) new marketing knowledge, and (4) new financial knowledge obtained from (a) abroad and (b) locally.</p> <p>Based on the same overall sample as the Liu et al. paper.</p>	<p>business networks (1% level). There are distinctive differences in performance between returnee and local entrepreneur-owned firms. The variable of international entrepreneurial orientation is significant only at the 10%. Level Patents possessed and transferred by returnees from abroad are significant. R&amp;D expenditure is positively associated with the performance of returnee-owned firms, which is the same as the result obtained from the overall sample.</p> <p>The possession of international networks contributes to firm performance of returnee-owned firms at the 1% significance level. Based on the sub-sample of local entrepreneur-owned firms, shows that there is no significant association between international entrepreneur orientation and business performance</p>		<p>base of high-tech firms only was not reproduced in this study nor was the impact of innovation on the enterprise performance.</p>
Dai, O., & Liu, X., (2009).	KBV and social capital theory	<p>Questionnaire to the firms in the part. Some follow up interviews.</p> <p>353 (41% response rate) used.</p>	<p>Results focused on International Entrepreneurial orientation (IEO): international vision, management</p>	<p>Results focusing on international orientation. The average number of years that returnees stayed abroad was 7. More than 83.3% of returnees worked abroad at least for 2 years, among which 14.5%</p>	<p>Size, Age, ownership, returnee (Y/N), Returnee density</p>	<p>The paper included the variable international orientation. This paper does not clearly explain how some of the measures such as</p>

		<p>Returnee entrepreneurs</p> <p>ZSP industrial park</p> <p>Same data base as the Liu et al. paper.</p> <p>Firm size, age, ownership, business performance, R&amp;D expenditure, IEO, Knowledge (abroad/Locally), International networks</p>	<p>experience, marketing position and risk-taking attitude.</p> <p>Not clear how enterprise performance was measured, not clear how the sample was spilt into returnees and non-returnees.</p> <p>No hypothesis was developed for this study.</p>	<p>set up their own business abroad. The data also shows that returnee firms are more internationally orientated, and 37% of returnee firms export their products, whereas only 18% of non-returnee firms are engaged in exporting. Our finding shows that having international entrepreneurial orientation is important. Based on education and working experience abroad, returnee entrepreneurs' international entrepreneurial orientation is (as hypothesized in H1) significantly and positively associated with firm performance. The international vision of returnee entrepreneurs reflects an innovation- focused managerial mind-set that levers the competitive advantage of their firms and maximizes business performance</p>		<p>enterprise performance varied in the questionnaire from those from the parks data sample in the Liu et al paper. It's not clear other than knowledge gained abroad how the sample was segregated into returnees and non-returnees. No direct comparisons can be made between both studies.</p> <p>Their findings that being a returnee has a positive effect on enterprise performance due to knowledge and networks acquired abroad was not reproduced in this study.</p>
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### **3.3 Enterprise performance and human capital**

The link between human capital and enterprise performance is well established (Davidsson & Honig, 2003; Rauch et al., 2005). This linkage has been built over the past century as researchers first defined the term and then started to investigate its impact on enterprise creation and performance. Human capital has been commonly defined as either personal (Mincer, 1958), firm specific (Crook et al., 2011) or as knowledge and/or skills, such as education or on the job knowledge acquisition, and years of doing something (experience) (Mincer, 1958, 1962, 1974; Nafukho et al., 2004). Economists for a long time tried to find linkages between human capital and economic growth but this has necessitated a clearer definition as to what it is.

Human capital was initially described as 'natural abilities' by economists such as Galton, Pigou and Friedman as they ventured to link these natural abilities with income discrepancies (Peart & Levy, 2003; Becker, 1962; Mincer, 1958), while at the same time, finding some way to measure them. These natural abilities were shown to have normal distribution while incomes were highly skewed and the use of IQ's, as another proxy, did not solve the paradox either. Training, formal education, vocational and on the job training, as a proxy, was first used to measure human capital, based on the proposition that while postponing an individual's earnings, it increases the individual's income after the training has been completed (Mincer, 1958).

Although, the link between training and education gave researchers a base to progress the definitions and provide a reproducible measuring tool it did

not broaden the definition to allow for qualitative aspects to be incorporated. Mincer (1974) adds to the original model by stating that it's not only applicable to education and training but also to the experience that is derived from the first two. This single vision of both definition and measurement remains central to much research in this area. The debate on the value of human capital has gone from one extreme that argues that human capital could generate long term growth, which became one of the critical features of the 'new growth' literature initiated by Lucas (1988), to the other extreme that argues that human capital as an ordinary input is unable to generate any endogenous growth (Mankiw et al., 1992).

The reasons why the debate fluctuated between these extremes is due to the measurement of human capital, both conceptually and empirically. Some authors have ascertained that conceptually there is a clear-cut definition of how human capital should be represented. Past studies have found that years of schooling can be a good proxy (Cohen & Soto, 2007). They further assert that 'It is only recently that macro literature has turned to micro-literature in terms of the Mincerian approach to human capital, to redefine the link between schooling and human capital. According to this approach, 'human capital is an exponential function of the years of schooling which results in a log-linear, instead of a log-log, correspondence between income and years of schooling' (Cohen & Soto, 2007, p. 53). The quality and the effects of the location of where the human capital has been acquired, has for the most part, been left out entirely in this type of analysis.

It has been pointed out by many researchers that a major issue is the quality of data, arguing that in many cases the data is simply unreliable (De la Fuente & Domenech, 2002, 2006). This quality of data issue is in turn solved by using not just one, but a variety of sources such as collecting own data directly from the field and encouraging historical sources of statistical data to update their methodology. The issue of measurement errors has also been emphasized by Krueger & Lindahl (2001), who point out the fact that in some previous studies, the information included in the data on the years of schooling used in the growth regressions reported by Benhabib & Spiegel (1994) and Pritchett (2001) is very basic (Krueger & Lindahl, 2001, cited in Cohen & Soto, 2007). The issue of comparable measurements and reproducibility is discussed in greater detail in chapter 4, since it affects all capital measures.

Both the concept and measurement are based on single proxy studies. These have evolved to define individual human capital as 'a unit level resource that is created from the emergence of individuals' Knowledge, Skills, Abilities and Other characteristic (KSAOs)' (Ployhart & Moliterno, 2011, p. 128). The definition is further expanded by adding the concept of emergence 'a phenomenon is emergent when it originates in the cognition, affects, behaviours, or other characteristics of individuals, is amplified by their interactions and manifests at a higher level, collective phenomenon' (Kozlowski & Klein, 2000, p. 67).

This idea is central to the model since it articulates the full multilevel process of human capital emergence: the 'collective' unit-level human capital resource 'originates' in individual level employee KSAO; and more importantly,

it is the mechanism by which the individual KSAOs is transformed and amplified to become an important unit level resource. The argument is then made by Ployhart & Moliterno (2011) that most micro and macro research has been largely 'single level' and that by introducing the concept of the emergent nature of human capital and the multilevel nature of it, as individuals interact their KSAO resources at the unit level. Thus, a much better fit is found, even though the human capital at the unit level and at the individual KSAO will be only partly isomorphic since the unit will share some common features but not all. The conclusion is that these human capital resources emerge as a function of the unit's unique emergence enabling process, and as such, they effectively become unit specific (Ployhart & Moliterno, 2011). I argue in this research that returnee entrepreneurs cannot be de-linked from their enterprises since once started, the combination of the two becomes a unit with mutual dependencies, values and derived benefits.

Returnee entrepreneur's studies that have looked at human capital have built on the KBV and focused on knowledge acquired overseas to explain enterprise performance (Dai & Liu, 2009; Bai et al., 2017). Some studies demonstrate that returnee enterprises benefit from the returnee's international experience and international market knowledge (Bai et al., 2017; Li et al., 2012) and that their enterprise performance is better than that of local entrepreneurs' enterprises due to their technical and commercial knowledge (Dai & Liu, 2009). These studies used years of studying or working abroad as proxies for human capital. All the three studies discussed in this section, have been single location studies. Dai & Liu (2009) specifically link the time overseas to the idea that being

a returnee adds value to the firm. They find a positive association between experience and education abroad and their firm's performance. Bai et al., (2017) in turn, find a direct and positive relationship between returnee entrepreneur's international experience and the enterprises initial level of internationalization, (see table 2).

At this point the idea of an interaction value at the firm level emerges through the accumulation of each individual's knowledge capital (Cohen & Soto, 2007; Ployhart & Moliterno, 2011). Central to the notion of what human capital really is, is the idea that above all, it is a knowledge-creation process. To help understand how this is accomplished, a source, uses and outcomes approach should be undertaken (Soo et al., 2002). They define their approach by looking at 'knowledge creation' in three ways: first, the individual, like the organization, builds his/her knowledge based on sources of information and know-how from both internal and external network opportunities. The way it can be measured comes from the individual engaging with both the formal and informal networks. Second, the individual, and the organization, need to have the absorptive capacities to both internalize and integrate all the information that is taken or extracted from the individual's networks, and cumulatively from all the individuals in the organization. Third, since knowledge is always actionable it must thus be created through some type of application. (Soo et al., 2002).

Although this approach is used within the human capital context it could also easily be applied when looking at how returnee entrepreneurs acquire and use human, social and political capital. Thus, the interaction, of entrepreneurial capital can be seen under this lens as being knowledge capital since all the

information derived from every and each capital becomes 'knowledge' and it is eventually used to advance the entrepreneur's enterprise performance. The interdependency between the entrepreneur and his/her enterprise, may by implication, seem to be that the proper unit of analysis is the firm, not the founder, however, the entrepreneur remains at the centre of this research.

### **3.4 Enterprise performance and social capital**

For the value of all the capitals within the returnee entrepreneur to be fully realized, it requires the networks and connections that is social capital. However, the literature on enterprise performance, returnee enterprise performance and social capital is sparser than that of human capital, but valuable none the less, due to each individual need to interact with others. Social capital remains an area where definitions, and by implication measurements are still under much discussion (Robison et al., 2002). Defining social capital has taken a greater sense of urgency among researchers since without this they cannot go on to attempt and measure it.

This does not mean that attempts have not (and are not) been made; 'Not everyone accepts the metaphor of capital goods to describe relationships of sympathy that may produce potential benefits' (Robison et al., 2002, p. 7). Reflecting on social capital, Kenneth Arrow (1997) urged abandonment of the metaphor of capital and the term "social capital", yet Casey (2008), points out that there is no clear consensus, in defining capital as a function applicable beyond economic capital theory that has found a place among scholars in non-material forms. Social capital definitions have also found themselves even more

stretched as some scholars include things like political capital as part of social capital while others separate the two entirely.

These issues are further exacerbated when researchers look at both individual and institutional social capital. Some work in this area builds on Bourdieu's (1986, 2002) idea that social capital resides in relationships and these are created through exchanges. Nahapiet & Ghoshal (1998) describe its characteristics as constituting some form of social structure and facilitating the actions of individuals within the structure and the fact that social capital is jointly owned by the parties in the relationship.

Social capital has been defined as networks in which individuals or institutions, as well as, the individuals that are embedded in these institutions, share and receive information, contacts, interests, favours, trust or other items that enhance each actors' value at both ends of the transaction. Thus, giving advantages to these actors that are not found outside such networks (Coleman, 1988; Putman et al., 1993). Social networks theorising has also tried to better understand the idea of networks and how these link-up mainly by explaining them as flows of information and knowledge; (Yamin & Kurt, 2018). These definitions of capital as networks and vice versa (Nahapiet & Ghoshal, 1998; Man et al., 2002) have been utilised in several studies, such as one which has looked at how entrepreneurs seek and secure financing (Saunders & Nee, 1996).

The description of social capital as value networks, has led to development of theory that is rooted in the idea that social capital is not a unidimensional concept and that it is integrated into three distinct dimensions,

structural, relational, and cognitive (Nahapiet & Ghoshal, 1998). The central proposition of social capital theory is that networks of relationships are a valuable resource in conducting social affairs that provides all the members of a group shared ownership of this capital. (Nahapiet & Ghoshal, 1998). They also suggest that it is the entrepreneurs' ability to create and exploit social capital that may help explain the differences between firms, including differences in performance (Nahapiet & Ghoshal, 1998). This concept of difference in networks relating to variations in performance, is one that entrepreneurs understand and use to yield competitive advantages. This is reflected in the methodology used in this research (see chapter 4). Social network theory has been divided in two: the network closure (Coleman, 1988) and the structural holes theories (Burt, 1992, 2001).

Network closures looks at each actor and their connections directly or through third parties, all of which are visible to each other, which results in densely connected networks (Coleman, 1988). This creates a form of social capital that enables the use of resources for those in the groups (Granovetter, 1995). This bring up the issues of allowing new entrants into these groups since existing network may not be flexible enough to allow new entrants (Gargiulo & Benassi, 2000). The structural holes theory that Burt (1992, 2001) advocated, emphasizes the value and potential of open networks since they maximize flows of information (Walker et al., 1997).

The concept that social capital has indeed value, is a familiar discussion in economic circles, but one that has received less attention in the social sciences where the term social has been given many labels: interpersonal



relationships, cultural and organizational to name a few (Robison et al., 2002). It is indeed an important discussion since it will eventually lead to frameworks and methods for measuring and quantifying it. The argument has been made that most definitions of social capital are conceptually weak especially when compared to human capital. Human capital emphasizes some sort of surplus value while representing an investment in education and skills by an individual that in turn remains within the individual (Schultz 1961, Becker 1964, cited in, Robison et al., 2002). At the same time, when used in combination with other capitals, human capital transforms inputs into outputs (Robison et al., 2002). The transformation of social capitals' inputs into outputs has been and continues to be an area of exploration and development. Bourdieu (1980) analyses social capital and defines it as the aggregate of resources, both actual and potential, that is linked by an individual's' possession of a durable network of institutionalized relationships of mutual acquaintance and recognition.

Social capital involves a social relationship of provider and recipient. The provider of sympathy may be an individual, or all members of a category such as age, gender, racial or alumni group acting individually based on social custom (Robison et al., 2002). Using this definition, Robison et al., (2002), state that the crucial difference from other forms of capital is that it exists in a social relationship. They go on to explore the utility of the capital metaphor by asking if it has the key features of physical capital: transformative capacity, durability, flexibility, and the ability to create additional capital, and in doing so, they conclude that social capital and the sympathy of the person or group, toward another person or group, may in turn produce some benefit, advantage, and

preferential treatment beyond that expected in an exchange relationship (Robison et al., 2002). Thus, the acquisition of social capital requires a deliberate investment by the individual of both economic and cultural resources. The outcomes may be reducible to economic benefits for those involved (Bourdieu, 1980), however, the processes that bring these forms are not (Portes, 2001). These processes possess their own dynamics and as a form of economic exchange, they are less transparent and more uncertain. Transactions involving social capital are characterized by unspecified obligations, issues or reciprocity and unclear timelines (Portes, 2001).

The issues around definition and measurability has led many researchers to look at this capital using a qualitative rather than a quantitative approach. The complexity of definitions and meaning around terms such as trust and value, is especially difficult within an IB context. These issues have led researchers to focus on proxies such as trust (Ellis, 2011; Sanders & Nee, 1996) and benefit (Coleman, 1988) since an all-inclusive measure of this capital remains a very difficult, if not an impossible task (Putman, 2001).

Past research has clearly linked the concept of networks that are at the heart of social capital and applied it when looking at how they can add value to organizations and enterprises (Ahuja, 2000; Ellis, 2011). Some studies have explored the idea that social capital facilitates value creation and found it to be robust at both the dyadic and the business unit levels (Tsai & Ghoshal, 1998), and that the three dimensions of social capital assessed-social interaction, trustworthiness, and shared vision-have significant effects, directly or indirectly, on resource exchange and combination. Tsai & Ghoshal (1998) also argue that

the extent of resource exchange and combination was associated with product innovation. They also suggest that a firm, by investing in the creation of social capital inside itself, creates value and that product innovation is promoted by the encouragement of informal social relationships and tacit social arrangements (Tsai & Ghoshal, 1998).

A study on micro-enterprises in Jamaica, empirically examined significant relationships of human, social and financial variables. These variables explained for a large percentage of the differences of incomes between firms and that social capital, and particularly marriage and church attendance, was directly seen to increase average firm incomes (Honig, 1998). A few returnee entrepreneurs studies have tried to explore the role of social capital and returnee enterprise performance, Dai & Liu (2009) found that in addition to human capital, international networks are an important factor that affects the performance of returnee and non-returnee enterprises. In contrast to this, Li H. et al., (2012), in a study of Chinese start-up enterprises, argue that the loss of local networks, and by implication social capital, negatively affects starting returnee funded enterprises. However, they also find that this initial disadvantage can be overcome over time by re-connecting with 'critical local constituents' and a better understanding of institutional changes that have happened as they have been away. The authors do caution that this erosion effect may not be as marked in other emerging markets since the Chinese institutional advantage that favors *guanxi* may help explain the dominance of returnee's disadvantages over their advantages, such as human capital (Li H. et al., 2012).

In summary, social capital is many times looked at within the perspective of networks in which both the individual and other individuals interact to create networks. The activities the individual perform within these networks in turn create additional value or capital, and in doing so, add value to at both ends. The individual and the network, remain an important part of trying to understand the differences between returnee and non-returnee enterprise performance in this research.

### **3.5 Enterprise performance and political capital**

Returnees, by having left their home country, are expected to have acquired additional human and/or social capital. The value of these acquisitions has been discussed earlier in this chapter. However, the values of some of the accumulated capitals of an individual when she/he emigrates, may diminish or disappear in their home country over time with little or non-added value brought by them to the host country (Li H. et al., 2012). This issue of erosion is discussed later in this section. What is important to highlight at this point, is that the effects of erosion, and the loss of social and political capitals among others (Jacob & Tyrell, 2010; Wahba & Zenou, 2012), may result in a disadvantage for returnees, as they may need to re-build these capitals (Li H. et al., 2012), when compared with non-returnees as they establish and grow their enterprises. This potential loss on one side, may be mitigated by the additions to their other capitals acquired in the host country.

The idea that political capital is treated separately from social capital has gained much more scholarly attention as researchers have begun to look at it independently from the social capital concepts (Casey, 2008; Nee & Opper, 2010). However, many others still prefer to treat political institutions and their derivatives as an extension of 'pure' social capital studies (Lin, 2017; Newton, 2001). Research in this field has looked at political institutions (Tahoun, 2014), the direct impact of political connections (Liu et al., 2013), bribes or influence on institutions (Nguyen & Van Dijk, 2012), and enterprise values and performance (Li, H. et al., 2008). Its impact on enterprise creation and performance is being looked at within the IB, management and entrepreneurial literature as are its implications on enterprise growth and performance.

Many researchers in this area keep turning to Bourdieu's (1980) concept of social capital that defines it as capital of social relationships (Casey, 2008; Smart, 1993). By default, the individual's formal and informal connections with each other, creates something that can be defined as social trust. As part of these connections and trust, it flows into and from the political arena, creating what can be then defined as political trust, impacting governments and individuals alike. The Idea of affinity in political capital is explored in a study of Sovereign Wealth Funds (SWF). This study found that SWF's were more likely to choose private over public targets internationally when political relationships between their domicile and target nation were weak (Johan et al., 2013). The concept of institutional social networks extended to institutional political networks and SWF's are a prime example of such network development (Johan et al., 2013).

The impact of political connections on the value of enterprises that leverage their imbedded political capital, is an area that is beginning to get more attention. Past work in Ghana, Kenya, Nigeria and China, has explored the direct link between political connection and the added entrepreneurial enterprises' value (Li, H. et al., 2008; Liu et al., 2013; Ufere et al., 2012). A study of Initial Public Offerings (IPO) in China found that the entrepreneurial firms studied, utilized their politically connected executives to extract benefits from the government. In addition, the same study demonstrated that connected firms performed better post-IPO than those that were not politically connected, it also showed that minority shareholders valued these connections post-IPO (Liu et al., 2013), (see table 2).

Political capital as a direct input of value creation for an entrepreneurial enterprise has, and continues to be, explored and established. The relationship between political connections and company's performance is also empirically examined in a study that points out that political connections may not only mask financial transparency around the world, but that the level of host-country corruption also affects the discretion that politicians have in granting political favours and thus affects directly the result of companies starting or already operating in a country (Chen, C. et al., 2010).

The value that these networks may have, is further explored in a study that investigated the influence of political capital on business performance. The study delves into the political capital built by individuals and the challenges this poses to entrepreneurs, who might not have the right

networks in the areas they wish to access relevant information in. It analyses the relationship between the political capital of entrepreneurs participating in horizontal networks and their company's performance (Wegner et al., 2015). The notion that entrepreneurs, or by that matter all individuals, are connected and derive benefit from non-private power structures is identified further by research into political connectivity. These studies look specifically at the ability of individuals, or firms, to influence persons, within the institutions, or the powers derived from these institutions to add value to their enterprises. A study in China has found that politically connected firms have better access to private financial markets than their non-connected counterparts, and thus, political connections are found to improve firm value and performance, especially for firms not controlled by the state. The research concluded that politically connected firms have preferential access to bank loans and are more likely to obtain government bailouts with favourable regulatory conditions (Liu et al., 2013). However, the paper fails to describe the type of relationships between the entrepreneur's and the state institutions and if these entrepreneurs were returnees or non-returnees.

The use of political capital and that of corruption have also been looked at in some depth. Corruption and trust are linked by the individuals involved, since the relationship of receiving a benefit as part of an exchange of value, money or future favours, for example, is predicated upon a tacit reciprocity agreement of securing future gains from the receiver to the giver. A recent study points out that some of the current work on political corruption shows that trust (interpersonal and political) may be both cause and

consequence of corruption (Morris & Klesner, 2010). Furthermore, the IB literature has shown that political connections not only affect firm-level performance and transparency, but also works hand in hand with corruption, which produces bottle necks and heightens uncertainty (Habib & Zurawicki, 2002). Furthermore, the IB literature has established the effects of political forces on the strategic choices of MNEs (Smith-Hillman & Omar, 2005), and has shown that 'politics in general, and corporate political connections specifically, systematically influence business practices around the world' (Faccio, et al., 2006; Habib & Zurawicki, 2002; Simon, 1984; cited in Chen, C. et al., 2010, p. 106). The IB literature is sparse when looking at these same effects when comparing returnee to non-returnee enterprises.

A study that looked at the importance of social capital that is defined in this study as both political and social networks, found that only one social capital variable was significant. It found that being a member of the Chinese Communist Party (CCP) enhanced revenue for local firms but harmed that of returnee founded firms (Vanhonacker et al., 2006). The reasons for this were not clear and may have had to do with business ability or the potential punishments for corruption that returnees feared more than non-returnees. This may also indicate that erosion may have been a factor and that the effort spent by returnees in regaining their 'place at the table' may have made them warier of the risks associated with political capital use.

Political capital, and its use of networks to extract rents or operational continuity for the enterprise, can help add to the explanatory value of looking at capitals as a way to understand the difference in performance between



returnee and non-returnee enterprise performance. The acquisition and use of political capital used to further entrepreneurial firms' performance is an important element of this research since it is seen as an area that still requires further and deeper exploration, as well as, more attention when looking into the establishment and growth of entrepreneurial enterprises.

### **3.6 Capitals and aggregation**

The one area that appears to be missing in most of the research mentioned above is whether looking at various forms of these capitals in a research instrument yields better and stronger explanatory value than treating them as a single explanatory variable. However, individual approaches such as: education on one side and social or political networks on the other, do provide a strong basis to start developing a workable measurement tool. Although past research discussed in this chapter, covers a wide range of ideas, research and results, it also leaves open questions or the need for additional exploration. The learnings from the work discussed previously in this chapter, does help set a path that shows that all three forms of capital, in effect, may influence entrepreneurial activity. A very few studies have also shown that some forms of interaction of education, training, experience and the entrepreneur's social and political networks, does affect entrepreneurial firms' performance (Davidsson & Honig, 2003; Boxman et al., 1991; Anderson & Miller, 2003). However, due to the limited work with more than one capital in it, it remains an area open to further exploration.

There has been an extensive body of work done on social, human, and political capitals (Sanders & Nee, 1996; Teixeira & Tavares-Lehmann, 2014; Faccio, et al., 2006; Habib & Zurawicki, 2002), as well as, entrepreneurial research covering returnees (Bai et al., 2017; Dai & Liu, 2009; Li et al., 2012; Vanhonacker et al., 2006), skills acquisition and transfer (Chen & Tan, 2016), export propensity (Filatotchev et al., 2009), and value creation (Dai & Liu, 2009), that supports the idea that any one of these areas has a positive impact on the overall performance of the firm, rather than focusing on just one of the components of performance.

The lack of interactions in human capital research and specifically, the need for additional research connecting firm-specific human capital and competitive outcomes is identified (Campbell et al., 2012). This study states that because workers skills are inseparable from the workers themselves, the worker is the appropriate level of analysis, not an isolated skill. As such, future research that addresses the exchange value of workers full portfolio of skills would be an important contribution (Campbell et al., 2012). In this research the word worker should be substituted for entrepreneur since in a new enterprise they are usually synonymous. The links between social and political capital are also made in more than one research paper (Faccio et al., 2006; Fisman, 2001), however, all of them point out to numerous factors that have yet to be explored or required further in-depth research. This research looks at the difference in performance of returnee and non-returnee enterprises and investigates if the acquisition and use of human, social or political capital may help explain these differences.

In a study that looked at entrepreneurs in Ghana and Kenya, the authors showed that social capital is critical in entrepreneurial start-ups but left open the question of the applicability of the results in more developed nations (Chu et al., 2007). The need for additional research on the interrelationships of the different forms of capital, as well as, within each of the capitals themselves, is also called upon in another study, which highlights the need for the relationships between social and other forms of capital by trying to better understand its volume and structure (Nahapiet & Ghoshal, 1998).

Political capital work has primarily focused on specific aspects of networks and value-added propositions. A study done in China looking at entrepreneurial investment and political ties identified some of the shortcomings that these types of studies have encountered. These include the adoption of binary measures that do not measure the quantity of political connections, the strength of the connection that has only looked at strong political contacts but neglected indirect but strong contacts such as relatives (Zhou, 2013). The same author calls for future research that will refine measures of political connections that include both quantity and strength (Zhou, 2013). This research will try and address the issue of strength but not the quantity of political connections.

While much work has been done with regards to constructs involving one of the capitals and/or a single variable within one of the capitals, this has usually been done within defined geographical or institutional boundaries. Many of the papers in this area call for further research that will further explore where, and how, this capital was acquired, as well as, the need to expand the data collection

from one location to multiple geographic locations to validate, or disprove, some of the existing body of work mentioned above. In the opinion of this researcher, there appears to be clear gaps in the literature, implicitly or explicitly stated in some of the work done relating to entrepreneurial, returnee and/or capital formation studies which can be summarized as follows:

a. *Source of value knowledge.* The empirical work done on returnee entrepreneurs and their impact on enterprise performance has mainly focused on some key variables such as education, skills transfer, knowledge spill-overs, and the impact these variables have on specific areas of enterprise performance or industries, i.e., exports, high tech SME's, Industrial parks. Research in these areas has called for further work on the process and quality of knowledge acquisition, transfer and usage (Filatotchev et al., 2011). The call is made for further research to look at the transfer process of knowledge and conditions that affect such transfer between returnees and non-returnees (Filatotchev et al., 2011). Comparative work looking into why the difference between returnee and non-returnee enterprises and the variables utilised to measure these differences in performance is an area within the IB literature that could use additional empirical studies. Looking into what is the direct effect of the physical location, home country compared to a foreign one, in which the entrepreneur has acquired the capital(s), human, social or political, and the measured value of the decision to remain in the home country, compared to that of those who leave and return, has

on the entrepreneur's enterprises performance is another area which requires additional exploration. One study specifically called for future work that explores how returnees contributes to several measures including growth within the context of emerging markets (Filatotchev et al., 2009).

b. *Breadth of coverage.* Researchers have identified that the single location approach taken while looking at returnee entrepreneurs has limitations and made call for studies that will look at factors affecting enterprise performance in more than one location. One of the studies states that although their work focused on returning entrepreneurs characteristics it was only based on one science park (Filatotchev et al., 2009).

c. *Value of capitals.* Research focused on the value of one particular capital to enterprise performance in the U.K. has also identified the need for additional work covering more than one location or industry: 'It would be instructive to discover whether the links identified here between entrepreneurial human capital and performance holds in other national, institutional and cultural settings' (Ganotakis & Love, 2012, p. 713).

Other papers identify the need for research that looks at the value of each of the capitals, or first order constructs, taken from an interaction (Interdependency) point of view and the underlying second order construct that borrows from psychology research, while considering their impact on entrepreneurial performance; however, keeping in mind that the capitals have a common underlying link

representing a core second-order positive resource called psychological capital (Luthans et al., 2007). The above also provides conceptual support for the finding of PsyCap as a core construct (Hobfoll, 2002), and the idea that psychological resources theory proposes that some psychological constructs are best understood as representing a core, 'underlying constructs' (Avery et al., 2009). The link between enterprise performance and the capitals and whether they are 'complimentary' or 'substitutable' remains an area with yet little empirical work that requires additional exploration (Brown et al., 2016).

d. *Source of Value*: Adding to the very limited amount of empirical work that compares returnee and non-returnee entrepreneurs and the variables associated with both, that affect enterprise performance. A study exploring the impact on enterprise development, but not performance, that returnee and non-returnee entrepreneur women have had in China, calls for future research using a larger and perhaps more representative sample. This in order to increase the generalizability of the outcomes of their study which pointed out that indeed, returnee women entrepreneurs were relatively more educated, start their businesses younger and tend to utilise their external contacts and knowledge in addition to local 'guanxi' (personal networks of influence), more so than those who have never left (Alon et al., 2011). Another study, also looked at whether returnees and their acquired human capital compared favourably with non-returnees' social capital to enterprise performance in China, and in which, self-reported and lacking rigorous reproducible

performance measures made the real differences in both groups difficult to calculate (Vanhonacker et al., 2006).

### **3.7 Research objectives**

This research looks at the difference of enterprise performance of returnee when compared to non-returnee founded enterprises. It also used human, social and political capital variables to try to better understand and explain these differences. It made the following assumptions: first, that these capitals are all inherently acquired by the individual and although identifiable in a general way, their particular composition, value and depth remain a unique personal asset. Second, that in some way or another, all three of the selected capitals, are included in the more specific types of capital. In addition, this research seeks to both draw from and contribute to capital theory.

### **3.8 Hypothesis**

#### **3.9 Returnee Entrepreneurs and enterprise performance**

According to the literature on SMEs entrepreneurs' background, experience and networks impact the firm's characteristics and performance (Filatotchev et al., 2009; Acedo & Galan, 2011). I therefore assume that each individual returnee influences the firms' performance. The individual returnee's international experience is directly related with that individual's time spent outside his/her home country. This is usually either working or studying. It is likely that that experience is of importance to the firms' operations and performance.

As a direct result of the returnee entrepreneur's foreign experience relating to the time and activities the individual engaged overseas, returnee entrepreneurs have built a different mind-set from those who never left the country. This has enabled them to identify and operationalize on opportunities, ideas and concepts found in international markets. The returnee entrepreneur is thus able to capitalize on this experience and transfer it to the firm. This is specially the case at the time the returnee starts and develops the firm and the number of people hired is small or possess a low stock of knowledge (Bai et al., 2017).

Returnee enterprises also benefit from the learning advantage of newness (Sapienza et al., 2006), when firms are new, they have a less rigid organizational structure which enables them to transfer internationally gained knowledge, which can thus be easily shared with new employees and aid in the firm's operations and performance vis-à-vis non-returnee enterprises. Considering the above, I hypothesize:

Hypothesis 1: Being a returnee entrepreneur is positively associated with enterprise performance.

### **3.8.2 Returnees and capitals**

Returnee entrepreneur firms in this study come from for different developing countries. Each country differs in terms of market, business systems, culture, political systems and institutions (Drogendijk & Martín, 2015). These differences may be particularly large between developing and developed markets. Returnee entrepreneurs' firms develop knowledge that allows them to



capture the returnees experience in the form of capitals. Capital theory may help better understand the role that each individual capital may play in explaining differences in performance between two distinct groups of entrepreneurs' founded enterprises, in this case returnee and non-returnees. As discussed in greater detail in chapter 2, capital theory may help us select the type of capital to be used in this analysis by looking at Mincer and his development of human capital theory; Bourdieu and his convertibility theory and social and political capital.

As with Mincer's approach to human, Bourdieu extends the overall concept of capital to allow for a convertibility of this capitals, or powers into capital in a normal economic sense. Utilising capital theory, the capitals that have been included in this study are human, social and political. Here I also include the idea of technological distance (Benner & Waldfoegel, 2008). Since returnees may bring with them technological knowledge, that may be of vital importance to new firms that go beyond traditional manufacturing into technology and service industries, which are included in human capital. It follows that this knowledge of methods, systems and technologies tends to give returnee started enterprises an edge in applying them within their home markets (Filatotchev et al., 2011; Bai et al., 2017). Thus, human capital acquired overseas can be a significant competitive advantage for returnee started enterprises.

Returnees will also look to leverage their international networks in the development of their enterprises and enhance the performance of their enterprises (Davidsson & Honig, 2003). This use of social capital is not confined

to returnees since non-returnees will have their own networks in the home nation. Returnees are seen to be able to access both their original home networks, and continued accumulation and expansion of these once they return, in addition to those acquired overseas. Following Bourdieu's' transformative nature of capitals, and, as he refers to political capital as a variation of social capital, see chapter 2, political capital may be defined as the combination of other types of capital for the purpose of the return of an investment in this capital in the system of production (Casey, 2008). Considering the above I hypothesize:

Hypothesis 2: Human capital is positively associated with returnee enterprise performance.

Hypothesis 3: Social capital is positively associated with returnee enterprise performance.

Hypothesis 4: Political capital is positively associated with returnee enterprise performance.

### **3.8.3 Returnees and capitals as complements or substitutes**

As discussed earlier in this chapter and following the Austrian school of thought, capitals do not operate in perfect equilibrium nor can they be regarded as ideal types. Fitting all the different types of capital is seen as the chief task of the theory of capital. This may be done by looking at capital as a 'stock' or 'fund' and each component are in themselves units with monetary value. Thus, and using money as a common denominator, a heterogeneous assortment is converted to a homogenous aggregate (Lachmann, 1947). The use of capital of different types by the entrepreneur results in entrepreneurial profits. This

concept of entrepreneurial profit is both dynamic and reflects entrepreneurial success (Lachmann, 1977). This profit reflects both the temporary margins between the cost of complementary factors today and the next day's prices for the product convey, in a symbolic form: knowledge, and the ability of individuals to differ widely (Lachmann, 1977). Thus, the ability to anticipate future prices varies among individuals and in many ways also reflects how these individuals utilise their capitals differently.

Each capital instrument can be expected to be a substitute for some and a complement for others (Lachmann, 1947). The question that can be asked at this point is which one is the dominant relationship: complementarity or substitutability or even better try to understand under what conditions may one or the other predominate (Lachmann, 1947). The argument is made that under perfect equilibrium all capitals are complements, however, when disequilibrium appears due to unforeseen changes the substitution of factors ensures. Capitals are products of the human mind that are produced and used with a plan in mind. Gains or losses that test those plans will thus affect decisions as to how these capitals are to be used in the future. The whole network of the capital structure is thus determined by the plans made for them. The proportions in which the various capitals enter these plans express the mode of capital complementarity in equilibrium. The dynamic reality of this capital structure is that it operates in a continuous state of transformation and this leads to disequilibrium (Lachmann, 1947). Hence, all capitals at one point may be substitutes or compliments to one or another at any given stage of the process. This study is one of the first to address the substitutability or complementarity between the three capitals,

human, social, and political capitals among returnee enterprises in developing countries.

Entrepreneurs utilise their capitals to take advantage of a state of disequilibrium and produce a desired output by applying a process of internal capital change. This is done to maximise the opportunity that has presented itself. In markets that are dynamic and in constant state of some type or form of disequilibrium, entrepreneurs use their capitals to generate new ideas, markets or resources (Chiles et al., 2010). On other fields of study such as sociology, human and social capital are seen as complements (Sanders & Nee, 1996), in the same way that human and physical capital are treated in the economic literature (Abramovitz, 1989).

In this study, I am also looking at the interaction of human and social capital with relation to returnee enterprise performance, which is an area that has received little attention in past studies (Santarelli & Tran, 2013). As I have mentioned earlier, the interaction of different forms of capital is one of the main drivers of economic growth (Barro & Sala-i-Martin, 1995; Barro & Lee, 2013), this interaction between non-material capitals have shown to have positive relationships between the added value of one capital and another, i.e., measures of human and social capital (Glaeser et al., 2002).

In this study, I have concentrated on human capital, based on level of education achieved and years of experience, and social capital and political capital as distinctive an exclusive form of capital. Only a few studies have demonstrated that entrepreneurs have created value by combining social and

human capital and fewer still within an emerging market context (Santarelli & Tran, 2013). The same can be said about human and political capital, and although there are few empirical studies that look at both, past research has treated political capital as part of social capital and thus applied the same results to both capitals (Glaeser et al., 2002). Past studies have usually failed to address the issue of if the interplay between different capitals should be understood as complements or substitutes (Rooks et al., 2009).

The idea of convertibility was discussed at length in chapter 2. Social capital can be converted to other forms of capital and in turn the person's social position or depth of networks can be converted into economic advantages, thus enhancing enterprise performance (Adler & Kwon, 2002). As in other forms of capital, social capital can be a substitute or a complement. Social capital, for example, can increase the efficiency of other capitals such as economic capital by reducing transaction costs (Lazerson, 1995, cited in Adler & Kwon, 2002). Social capital can also improve the efficiency of other capital such as political capital by reducing the time and effort it would require acquiring the capital from scratch, thus, social capital acts as a complement for political capital. The idea that capitals can be complements goes back to Coleman (1988), who argues that social capital promotes the formation of human capital and thus without social capital there would be less human capital, and Burt (1992), who claims that human capital has higher profit yields when it is complemented by social capital, thus it's not the what but who you know.

The opposite view that treats capitals as substitutes argues that entrepreneurs that do not have a particular type of capital, such as human

capital, will invest much more in another source, such as social capital (Piazza-Georgi, 2002) and that those who lack some source of capital will utilise their social network to compensate, or what they have called 'network compensation hypothesis' (Brüderl & Preisendörfer, 1998). According to the above, the following 3 hypotheses are proposed:

Hypothesis 5: For returnees, human capital and social capital substitute each other in enhancing enterprise performance.

Hypothesis 6: For returnees, human capital and political capital substitute each other in enhancing enterprise performance.

Hypothesis 7: For returnees, social capital and political capital complement each other in enhancing enterprise performance.

## Chapter 4

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### Methodology

#### 4.1 Introduction

Chapter 3 has discussed the limitations of returnee studies when addressing the impact that living outside their home country has on entrepreneurs and their enterprise's performance, and how they compare with non-returnees founded enterprises. It also discussed single capital, human, social and/or political research constructs in addressing the underlying value of human, social and political capital that an enterprise's founder(s) brings with him/her. Consequently, the relationship between each capital and the study of an enterprise's performance has tended to have only been seen under a single lens perspective that misses the interaction of all the capitals, that forms the aggregate value of an individual, in this case, the returnee entrepreneur, and makes the enterprise succeed and grow. Other variables used in past research, have empirically examined a single parameter in terms of looking into enterprise performance, i.e., propensity to export or high-tech innovation product development. This research seeks to address these limitations both theoretically and empirically by developing both the framework, as well as, the methodology, having collected robust and meaningful data, in order to better understand the differences in performance between returnee and non-returnee started enterprises.

## **4.2 Research methodology**

This research draws mainly from quantitative methodologies in order to examine the role and differences between returnee and non-returnee entrepreneurs in their enterprises' performance. It also draws from qualitative methodologies, namely interviews, initially used to verify and collect additional data during the data collection process and to add depth and some clarity to the analysis and discussion.

## **4.3 Research design and questions**

The link between methodology and research questions is well established. Research methods should follow research questions in a way that offers the best chance to obtain useful answers (Johnson & Onwuegbuzie, 2004). As discussed in chapter 3, and seeking to better understand the importance of returnee entrepreneurs and their enterprises' success, the aims of this research are to answer the two following questions:

1. Are there differences between returnee and non-returnee enterprise performance?
2. If indeed there are differences in performance between the two, what might help explain these?

To achieve the stated objectives of this research the following methodology was used. A survey instrument was designed, for the completion of the initial draft of the survey a follow-up pilot interviews conducted, and the results analysed. This in turn resulted in the refinement of the survey instrument



and, in particular, some of the social capital questions, a larger-scale sampling to achieve statistically robust results, and a better final analysis.

The research was carried out in three steps. In step one, a pilot was run in which twelve respondents, one in Colombia, six in Poland, three in Romania and two in Russia. They completed the survey and agreed to an interview. Using this data the survey was amended, and the initial respondents were excluded from the final sample (see figure 2). In step 2, the survey was finalized, and a quantitative based research method is applied and accomplished through a multi-country survey of returnee and non-returnee entrepreneurs. The selection of the four countries used in this research was made using a dedicated algorithm that included: the Gross Domestic Product (GDP), GDP per capita, The Global Entrepreneurial and Development Index (GEDI), The Global Ease of Doing Business Index (GEDBI), The Global Corruption Index (GCI), and international migration data (see table 3).

In this research the term entrepreneur is used to refer to individuals that set up a business or businesses, taking on financial risks in the hope of profit. None of the entrepreneurs in the data set had started a non-for-profit, charity or social enterprise. All the enterprises were more than a year old. The individuals that completed the survey and participated in the follow-up interview had been part of the original start-up and remained actively involved in the enterprise's operations. The terms "entrepreneurs" and "business founders" are interchangeable for the purposes of this research.

**Table 3: GMI (Global Mix Index): country selection**

	Global Mix Index	GDI	Corruption Perception Ranking	Entrepreneurial Ranking	Ease of Doing Business
<b>Africa</b>					
<i>North</i>					
Algeria	108	61	105	105	153
Libia	87	na	160	59	187
Egypt	96	50	118	62	128
Marroco	93	51	88	54	87
Turkey	61	43	88	32	69
<i>Sub-Sahara</i>					
Botswana	102	na	60	na	56
Ghana	100	na	64	75	67
Gabon	101	na	105	na	163
Kenya	117	na	139	na	129
Nigeria	96	na	135	na	147
Senegal	144	na	94	na	78
South Africa	71	51	67	41	41
<b>Latin America</b>					
Brazil	66	68	69	54	116
Chile	67	26	20	38	34
Colombia	90	41	94	69	46
Ecuador	95	65	118	46	135
Panama	60	53	83	49	55
Peru	59	65	83	71	42
Venezuela	107	56	165	54	181
<b>Asia</b>					
Indonesia	81	46	107	46	120
Philippines	92	39	83	71	108
Thailand	63	57	88	62	18
Vietnam	89	na	123	na	99
China	43	40	100	64	96
<b>Europe</b>					
Bulgaria	121	na	75	na	58
Czech	58	25	54	23	75
Poland	55	37	41	30	45
Romania	99	48	66	47	73
Russia	75	58	133	61	92

Source: GEDI 2016, Transparency International 2016, World Bank 2016, United Nations 2015, GEM 2015, 2016, 2017.

The indices are used to group countries based on high emigration, with the assumption that this will result in a higher number of returnees. In addition, the study assumes that GDP growth tends to be a motivator for skilled/semi-skilled immigrants to return to their home countries and start enterprises that will

benefit from their acquired skills and entrepreneurial drive. Countries that show positive growth trends are usually correlated with the GDP ranking (see table 3), and a moderate to high corruption index, which relates directly to the social and political capital questions. Returning immigration data is incomplete and only a few studies of any depth have been done, mainly in China and India. However, net migration flows to OECD countries helps to give a picture of the potential for returning populations flows back from the European Union, United States and/or Canada, which comprise most of the economically driven immigration flows, to their home countries. The OECD provides net outflows by nationality that can serve as a base to estimate the circular migration into selected countries.

Research that has used these measures has found that there is a high correlation between the GEDI and GDP (Acs et al., 2009), however, in this study, the correlation between the GEDI, the corruption perception, and the ease of doing business ranking (World Bank) was not statistically significant for many countries since the GEDI does not cover the totality of countries in each continent, thus an algorithm was created in order to re-rank all countries into a new Global Mix Index (GMI), each of the indexes mentioned above were weighted differently and based on the relative importance of each index within the study different relative weights with a predetermined band were tested, with a total weight of 1, higher relative weights were given to corruption, migration, ease of doing business and GDP, in descending order, the resulting re-ranking of the countries was then done by continent. The final country selection left out both the extremes at both ends, leaving those with high GDP, low migration, low

corruption and vice versa. The final grouping focused on developing nations that score in the middle of the GMI (see table 3).

The final country selection was done by eliminating the worst fit countries in order to focus on high immigration and corruption indices and refining the selection criteria by continent to those countries with both the highest emigration, and by default returnees; higher corruption index, and more need for political capital, which together resulted in one country per continent being selected initially: Ghana in Africa, Colombia in the Americas, Vietnam in Asia and Poland in Europe.

Substitutes were also pre-selected should the first choice country in a given continent, fail to deliver the required number of candidates or other factors that might make the research impossible in that particular country: Kenya, South Africa or Nigeria in Africa, Chile or Ecuador in the Americas, Romania or Czech in Europe and China or Thailand in Asia were selected as possible substitutes. Returnee and non-returnee entrepreneurs in equal numbers in each country were to be found through academic institutions, personal contacts and/or business networks. Due to lack of the required number of participants, Thailand and Ghana were dropped and replaced by Romania and Nigeria, to keep the final list of participating countries as global as possible. The final countries participating were Colombia, Poland, Nigeria and Romania.

Once the countries were selected, a survey was designed utilizing Grootaert et al.'s 2004 questionnaire model, the SC-IQ. At the level of the entrepreneur, the density of the entrepreneur's self-declared membership in

professional or social organizations is measured by the average number of memberships of each entrepreneur or their enterprise in existing organizations: industry, social, religious, sports, or professional, these can be normalized by enterprise size. This basic indicator can and was, cross-tabulated by country and some of the socio-economic characteristics of the entrepreneur: age, education, profession, nationality and gender to capture the distribution of memberships. The indicator can also be broken down by other organizational classifications, in this case by industry. A functional classification focuses on the prime objective of the association: education, health, hobby/interests, religion/church membership, social, sport clubs, charitable, and professional.

Another useful classification refers to the scope of the group: whether groups operate only in the business community or industry in their home country, or are affiliated with other groups, inside or outside the country. Groups with linkages often have better access to resources, especially from outside the immediate business or social circles, such as from government or Non-Governmental Organizations (NGOs). Using information on memberships, the entrepreneur and/or their enterprise can also be classified as to whether they represent primarily bonding, bridging, or linking social capital (Grootaert et al., 2004).

The SC-IQ data makes it possible to assess the diversity of the entrepreneur's and their enterprises according to eleven base criteria: gender, age, ethnicity/country/region, past occupation/jobs; education, and years of experience, time as an emigrant, political affiliation, enterprise income and profit level. Diversity information can be used separately or combined in an index. For

example, the 'level of participation in a social network' can be calculated for each entrepreneur, using a Likert scale ranging from 1 to 5. These scores can be averaged overall as can the most important organizations to which entrepreneurs belong. It is was not immediately obvious whether a high degree of internal diversity is a positive or negative factor from the point of view of social capital. An internally homogeneous association should make it easier for members to trust each other, to share information, and to reach decisions (Grootaert et al., 2004).

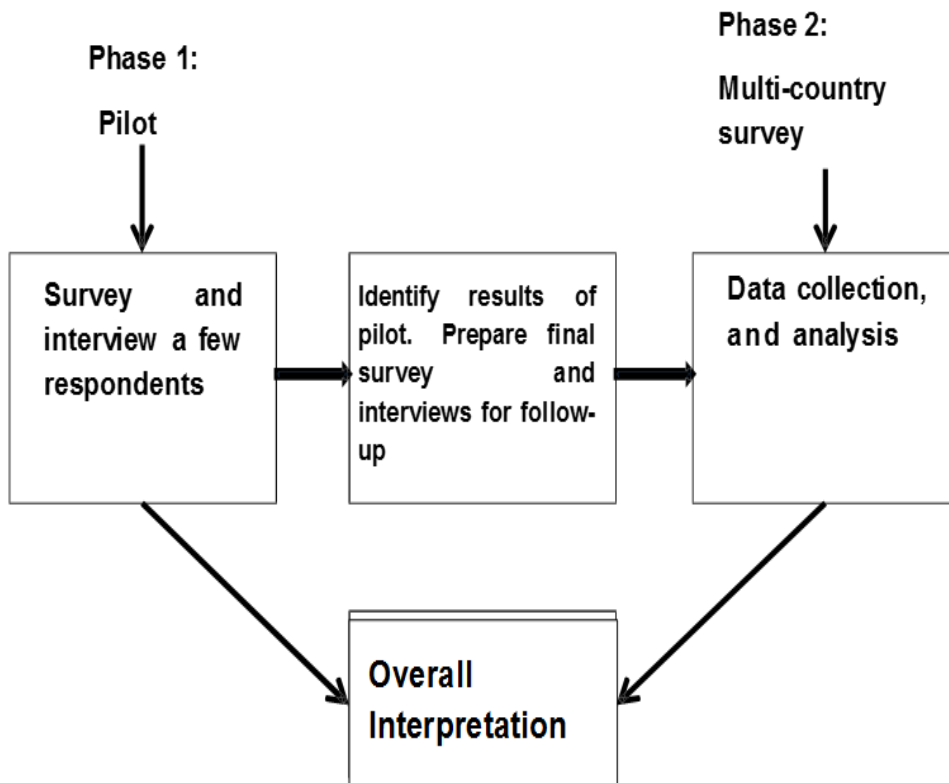
On the other hand, these members may also have similar information so that less would be gained from exchanging information. Furthermore, the coexistence of a series of associations that are each internally homogeneous but along different criteria could render the decision-making process at the individual level more difficult but at the same time more valuable. This is due to the ability of the entrepreneur to maximize the value of extracting this information and making the best use of it when compared to other individuals that may make different decisions. Analysis in several countries has suggested that internally diverse associations yield higher levels of benefits than others (Grootaert 1999, 2001, cited in Grootaert et al., 2004).

When looking at networks, the SC-IQ provides three items of information: the number of networks, their diversity and the extent to which the entrepreneur would aid in case of need or the network would assist the individual. Because "network" is a difficult concept to define concretely in the context of an enterprise survey, a pragmatic approach was been taken: a network is seen as circles, some of these are of 'close friends'—that is, people one feels at ease with, can

talk to about private matters, or call upon for help. Others may be more distant but of equal or greater value since the more informal contact may yield a higher return.

The size of the network then is captured by the number of such close friends or extended networks. The usefulness of the network is assessed by asking the respondents how much assistance they provide or receive from other members of these networks. The answers to these questions were interacted to yield a “benefit score” for the networks. Diversity is assessed in a simpler way than was the case for associations, by focusing only on whether the network consists of people with different economic status. This is a key feature to determine and look at the network’s ability to provide resources and value to the entrepreneur in case of need, and thus the network’s usefulness in the management of risk (Grootaert et al., 2004). The use of quantitative methods, i.e., surveys, offers a good vehicle to secure most of the data required to answer most the above listed research questions.

**Figure 2:** Methodological model



*Adapted from Downward and Mearman (2001)*



Questions were created to help gather the required data and address education, training, experience, and ask where and where they were acquired, as well as, memberships in clubs, hobbies, languages spoken, and travel experience (see table 2). The required data was effectively and efficiently gathered through a survey. This was accomplished by sending an initial survey followed by an interview (see figure 2). Although it would appear in first instance, that either approach would satisfy the data gathering requirements, each possesses, on its own issues, that could result in significant errors and failings. The survey is not the best method of gathering sensitive data such as political connections, the use of such or their impact on the enterprise's performance. A very long interview, on the other hand, will result in fatigue, loss of interest, reduced quality of answers and reduced number of participants due to excessive time requirements.

The ability to secure answers to most issues relating to background, human capital and social capital measures via a survey allowed the participants of this study to have ample time to answer and for the data to be analyzed. The semi-tailored and structured interview that followed incorporated specific questions that were asked to the participants based on their survey answers, this was followed by general political network questions. However, the interview also allowed for an immediate exploration of particular themes that may have arisen during the interview itself. Issues such as erosion of social capital which is explored in the survey phase were looked at in greater depth in the interview phase. The interview also allowed for specific data

collected on the survey, such as: age, degrees achieved, years of experience and financial results to be verified.

#### **4.4 Research sample selection**

The idea is to compare the specificities of each of the three capitals under observation with an overall returnee/no-returnee framework to determining the value of each on the enterprise's performance. It can be argued that detailed observations as afforded by an integrated approach provide a platform for making inferences about the causal mechanisms that are active in entrepreneurial entities (McEvoy & Richards, 2006), (see figures 2 and 3).

The first phase of this research was designed to establish the relationships between variables and concepts and at the same time, to establish the links, if any, between returnees, human capital acquisition, social capital, political networks and the entrepreneurial firm. Importantly, the survey also sought to provide the value of each capital within the entrepreneurial entity and the impact of the concept of domesticity, or lack thereof, in the acquisition or retention of these capitals. The use of quantitative methodology (see figure 2), ensured that the survey instrument used to produce the data was both methodologically sound and reproducible, since the survey and follow up interview process was then conducted in the four selected countries using the same types of populations: returnee and non-returnee entrepreneurs in roughly equal parts. Returnee and non-returnee entrepreneurs were found through academic institutions, personal contacts and/or business networks using a 'snowballing' sampling method. This method entails finding subsequent

participants through the contacts the first participants provide.

A total of 132 respondents were found this way. The total average number of respondents per country was 33 with Nigeria having slightly more than the other 3 countries. The male/female ratio generally matched country and/or regional averages based on the Global Entrepreneurship Monitor's (GEM) Total Early-stage Entrepreneurial Activity (TEA) report (see table 5), with the exception of Romania, where females outnumbered males and Nigeria that skewed heavy male among all respondents (see table 4), this could have also been due to the snowballing effect and referral bias in that country, since the data for African entrepreneurs appears to be the more or less equal for both genders in the African continent (see table 5). The target respondents between returnees and non-returnees of 50% each in every country was roughly achieved in Romania and Poland while Colombia and Nigeria had larger numbers of non-returnees (see table 4).

**Table 4:** Respondents-summary

<b>Country</b>	<b>Number of participants</b>	<b>Male</b>		<b>Female</b>		<b>Returnees</b>		<b>Non-returnees</b>	
Colombia	32	19	59%	13	41%	13	41%	19	59%
Romania	32	13	41%	19	59%	14	44%	18	56%
Poland	33	17	52%	16	48%	18	55%	15	45%
Nigeria	35	32	91%	3	9%	13	37%	22	63%
<b>Total</b>	<b>132</b>	<b>81</b>	<b>61%</b>	<b>51</b>	<b>39%</b>	<b>58</b>	<b>44%</b>	<b>74</b>	<b>56%</b>

**Table 5:** Global female participation in entrepreneurial activities

<b>*Selected countries/ regions</b>	<b>Female TEA (% of total Female population)</b>	<b>Male TEA (% total male population)</b>
Colombia	24.7%	30.2%
Poland	8.1%	13.3%
UK	5.6%	12.0%
Cameroon	26.5%	28.7%
USA	10.5%	14.8%
China	8.6%	11.8%
Chile	19.8%	28.6%
Regional average Africa	20.4%	20.9%
Regional average Latin America	17.0%	20.7%
Regional average Asia	13.3%	8.7%
Regional average Europe	6.1%	10.7%

\*GEM Global report 2016-17.

TEA: Total Early stage Entrepreneurial activities.

The second phase of the research involved finding the respondents, contacting them, explaining the purpose of the research, asking for their consent and sending them the survey (see appendix 2), collecting the completed surveys, setting up times for the follow-up interviews in country, conducting the interviews and verifying the survey information on location. The rationale for the interview was not only to verify the survey data but as a way to help explore network(s) use, method of acquisition and use of political capital. The Interview also allows for access to information on past events and rare occasions. Interviews at the quantitative stage allows the researcher to check recipient understanding of the survey instrument and provides richer data rather than just relying on secondary sources for verification (Tracy, 2012). As has been pointed out, in past research, 'Interviews are especially helpful for acquiring information that is left out of formal documents or omitted from sanitized histories, which reflect the power holders' point of view' (Tracy, 2012, p. 132). The interviews are used explore additional themes and/or questions when looking at human and social capital data, which had been uncovered in the survey (see appendix 3).

The data initially collected from the participants via the survey, was then analyzed and understood in order to ensure that the interviews with the same participants not only clarified and expanded on the survey answers but added additional data that was discovered to be lacking or unclear in the survey. One of the issues facing past researchers has been to clearly define, identify and measure enterprise performance in a consistent manner. As has been mentioned before, some studies and particularly those relating to returnee entrepreneurs have focused on a single measure such as the propensity to export or the amount of innovation. The internationalization of these studies has been the subject of some comprehensive and useful literature review (Buckley & Casson, 2010; Kirkman et al., 2006), which reviewed multinational enterprise research, as well as, the impact of culture on enterprise performance.

The impact of other international related factors such as FDI on human capital formation and its impact on enterprise performance has been both conceptually reviewed (Blomstrom & Kokko, 2003), and empirically explored (Narula & Marin, 2003; Teixeira & Tavares-Lehmann, 2014). A review looking at how studies have measured organizational performance drew the conclusion that researchers tend to pay little theoretical attention, or methodological rigor to their choice and use of the many performance measures available (Richard et al., 2009). This research used financial information, and specifically revenues and profits to measure performance.

As has been pointed out in past research, the questionnaire design and data collection should not be copied and sent to respondents in multiple countries due to cultural differences (Cavusgil & Das, 1997; Mullen, 1995; Singh,

1995, cited in, Dai & Liu, 2009). The following steps were taken in order to deal with such issues: first, a pilot study involving twelve participants were run, local academic contacts were consulted in order to identify issues with language and context comparability. For example, the questionnaire was translated from English into Spanish, Polish, Russian and Romanian. Then it was back translated into English to ensure its validity and accuracy. Second, in the pre-selection phase, all individuals were contacted in order to ensure that the entrepreneurs were the main founders of the company, and that they are considered a significant shareholder, thus, that they retained at least 10% ownership. This percentage of significant shareholding, means an individual who, within the meaning of section 422A(b)(6) and 422A (c) (8) of the Internal Revenue Service (IRS) code, owns securities possessing more than ten percent of the total combined voting power of all classes of securities of the company (IRS, 2017).

The last requirement was that they oversaw business operations when they completed the survey. I also tested for non-response bias (Armstrong & Overton, 1977; Bai et al., 2017) and found no significant differences between respondents and non-respondents in terms of firm age and size. In order to try to reduce the likelihood of common method variance (Chang et al., 2010; Bai et al., 2017), feedback from the pilot and local academics was used to avoid using confusing, vague, and unfamiliar terms in the formulation of questions and indicators in the final questionnaires. The way the questions and indicators were grouped, avoided referring to the main constructs and the controls and were measured using different response formats and scales.

#### **4.4.1 Ethical considerations**

The research followed and complied with all the University of Leeds ethical requirements. All ethical considerations such as consent, autonomy, right of withdrawal, privacy, clarity of information and care for the participants' wellbeing were of major concern during the planning and execution of the data collection process. The snowballing sampling technique involved an initial personal contact in the country and following up with other contacts that were given by that first contact(s). The research was clearly explained to the individual and if there was a positive response an email was sent with a letter confirming their participation, (see appendix 1). A description of the research objectives was also attached, and the following was made clear:

- 1- All information would remain confidential.
- 2- All participants had to agree in writing to participate in the research.
- 3- Any participants could withdraw at any time.
- 4- All data would be anonymized. No names or companies would be used.
- 5- All data would be secure. No data would be given to any third party without the consent of any and/or all participants. All possible security measures would be taken in using and/or transmitting the data.

The research application was and approved reviewed by the environment and Leeds University business school faculty research ethics committee prior to any data collection (see appendix 5). The University of Leeds code of practice, which is the principle of academic excellence that involves the community and ensures its integrity and professionalism was applied consistently and

throughout the research. The introductory, information and consent letters, were translated, they were sent in either English, Spanish, Romanian or Polish, and Russian for the pilot. The participants were asked to read all the information and return the consent document. For the avoidance of doubt, clarity of communication and intent, the signed consent letter was presented in person to the participant (see appendix 1). The consent letter was used to ensure that all participants were still willing after they had completed the initial questionnaire to continue to participate. The interviews were conducted in private at a location selected by the candidate.

On the issue of vulnerable groups, such as those under 18 years old or those lacking mental capacity. This research did not involve any vulnerable group. This research did not involve any environmental impact nor clinical trials or patients of any kind. Clear and standard procedures were followed in every contact with the respondents. Respondents were always given the opportunity not to answer any of the questions and allowed to request that a comment or answer that might identify them was not included in the data analysis.

Respondents were given the opportunity to review their final survey answers and transcripts, before they were incorporated into the data set. None of the respondents requested to do so. Respondents were also given the opportunity to request a copy of the final thesis. No requests have been received. All data, files, notes, recording, completed surveys and correspondence were stored in the researcher's university provided computer and, initially in a dedicated laptop and then on a hard drive that is not directly accessible or linked to any computer.



#### **4.4.2 Data set**

The empirical analysis is based on data from a representative survey of entrepreneurs in four countries: Colombia, Nigeria, Poland and Romania.

Entrepreneurs are defined as individuals that started or formed part of a start-up team, who are a significant shareholder and are active in its operations.

Data are based on a total of 132 respondents from four countries. Initially 487 entrepreneurs were contacted of which 163 completed the questionnaire, a 33.4% response rate. A further 31 were dropped due to incomplete information, not meeting the minimum requirements, less than a year in operation, not having the minimum number of employees (thus eliminating the one-man band consultancy effect) or not being able to do the follow-up interview. This resulted in a 27.1% completion rate. The final 132 surveys included in the data set reflect the elimination of inaccurate, partial or unverifiable information. Every survey included had to have answers to every question with no missing data points. The final sample size is 132 and is reflected in every variable used. The total final sample size appears to be well within the average for these types of studies, especially for those involving human capital and entrepreneurs or enterprise performance (Unger et al., 2011).

As part of the questionnaire and to address some of the issues on multidimensionality of performance mentioned earlier in this chapter, two measures were gathered: enterprise revenue and income over a period of 3 years from 2013 to 2016. Issues relating to obtaining additional enterprise performance financial data are explained both earlier in this chapter and

expanded in chapter 5, however, they relate to the availability and willingness of all respondents to disclose their complete financial, accounting and stakeholder's data.

Returnee entrepreneurs are defined as individuals who return to their home countries to start-up a new venture after living abroad (Drori et al., 2009, cited in Bai et al., 2017), see chapter 5. Returnee based firms can be defined as businesses created by migrants that decide to continue to be, or become entrepreneurs, after coming back to their home country from living abroad, (Bai et al., 2017). Keeping in mind that returnees are a relatively rare phenomenon among the general population and even rarer among the entrepreneur population (Qin & Estrin, 2015), the study included both returnees and non-returnees in equal parts where possible but no less than 35% of the total sample in a country (see tables 4 and 6). The selection of the countries has also been described in detail in section 4.3, however, it is important to highlight that as part of the algorithm, a large migrant population was a key factor. Since dependable return migration data is generally unavailable, the assumption was made that a large migrant population would result in a large enough pool of returnees that would, in turn, result in a reasonably number of new enterprises that would have been created and survived.

Respondents described their job titles as Chief Executive Officer (CEO): 8%, President: 59%, Director: 9%, Senior partner: 18% or Chief Operating Officer (COO)/vice-president/director: 6%. All of them had been involved in the start-up of the operation and owned over 10% of the enterprise at the time the survey was completed. The response data was crosschecked with available

public information, all respondents were interviewed, and the information verified or updated where it was clear that the respondent had not understood the meaning of the original question. All interviews included the researcher and a local professional translator, if the interview was done in a language that was not English. The research design and the ad hoc analysis points to a limited likelihood of common method bias in the data.

It should also be noted that there may have been some sample bias because of the snowballing method. Neither returnees nor non-returnees were pre-selected or encouraged to participate to insure a certain mix. Returnees were 44.6% of the total number of respondents, with Poland having the highest number, 55% and Nigeria the lowest at 37%.

The data shows that among returnees, females represented 40% and among non-returnees 38% of the total respondents (see table 7). In addition, 99% of those individuals that completed the survey and the interview had finished high school (see chapter 5), 77% had an undergraduate degree while 84% of returnees had a university degree versus 70% for non-returnees (see table 9).

#### **4.4.3 Measurement**

This study looks at enterprise performance through the measurement of financial measures, differentiating returnee and non-returnee enterprises. Where enterprise performance for each type: returnee and non-returnee, are the response variables and the selected measurements the explanatory variable.

The explanatory variables are in turn, a function of the variances of acquired capital by each of the response variables. These try to measure the quantity and the strength of social and political networks and ties, and the quantity of human capital in the form of education and experience. Each capital is measured individually and cumulatively to try to better understand the overall capital value of the entrepreneur: These measure the length and depth of education and experience; the value of the networks, as well as, the quantity and value of political ties. While using the individual variables found within each of the capitals, (see table 2). Control variables such as age, number of employees, industry and gender were included (see appendix 4).

In addition to the measures described above, the use of performance measures is central to the aims of the research. How the enterprises perform both in terms of perceived success and variances, makes these measurements of importance in the final analysis. The research primarily uses a financial measure: revenues. This was selected after the pilot was done and which indicated that collecting other than basic financial data from all respondents would be a difficult task (see table 2). Each respondent was asked to provide total revenue and additional Profit and Loss (P&L) information for the last 3 years of operation or the actual life of the enterprise if it was less than 3 years. The data plus follow-up questions in the interviews allowed for the study to have both multiple measures and some form of time series property. The research considers who the stakeholders are, what is the landscape and what is the timeframe rather than the effectiveness , which is not within the remit of this research, while insuring these remain clear and consistent, as well as,

highlighting the differences a multicounty project such as this has tended to unearth.

#### **4.5 Data collection**

Data collection for human capital has been discussed earlier in detail. It has also been acknowledged earlier in this document that social capital acquisition poses more of a challenge. In business studies such measures as intra and intercompany networks (BarNir & Smith, 2002), migrant family and acquaintances networks and trade (Combes et al., 2005) and Japanese Keiretsu networks and their impact on exports outside Japan (Belderbos & Sleuwaegen, 1996) reflect some of the research linking social capital measures and business performance. A 2003 study on nascent entrepreneurs, found that bonding social capital based on strong ties, such as having parents who owned businesses or close friends who owned businesses, as well as, being a member of a business network such as the Chamber of Commerce, Rotary or Lions, had a significant impact on these people successfully starting their enterprise (Davidsson & Honig, 2003).

In a few studies the link between religious affiliations and financial/network benefits has been clearly established and this has been explored and observed among groups with the same cultural background but with differences in religious/church affiliation (Tenenbaum, 1986). In a study of Jews in Detroit, it was observed that Jewish men in that city have 80% of their friendships with other Jews, while few would be predicted by random assortment (Fischer, 1982). These close ties were associated with higher degrees of

assistance, support, financial help and advice (Fischer, 1982; Tenenbaum, 1986). Other studies looking at social and religious networks among Hindu and other Asian migrants had also found a strong link between entrepreneurship and religious affiliation support (Basu & Altinay, 2002; Poros, 2001). This support in some cases has come from members or directly from the church, which may encourage some types of enterprises as part of their teachings. It should be noted that most of the studies mentioned above are qualitative rather than quantitative. What some studies of social capital have looked at have varied from social status (Lin, 1999) and erosion, (Jacob & Tyrel, 2010) to social exchange (Davidsson & Honig, 2003) and used in a variety of measures such as trust, benefits, networks and help to name a few (see chapter 3). Keeping in mind the above, and as described earlier, the data collection was accomplished in two steps:

Step 1: As discussed in sections 4.3 and 4.4, a survey was developed and sub-divided into two main sections to capture: in part one, human capital acquisition by the entrepreneurs (see appendix 2). This included type of education, as well as, years of work experience. In part two, the survey captured data relating to the entrepreneur's social networks that included: type of network, location, perceived value of each network, trust among the entrepreneur and members of the different network, perceived value of these networks, and the interaction between members of the networks. The survey explored the impact and perceived value brought to the enterprise by these two capitals. A pilot was run in which twelve entrepreneurs completed the first draft and were interviewed. Based on the input received, the final survey (see appendix 2), was completed.

Step 2: Once the country selection was completed, participants were sought, and letters and surveys sent (see section 4.3 and 4.4). Based on the number of respondents that agreed to participate, the country selection was finalized. The few participants in de-selected countries were notified and thanked but no interviews conducted. All the participants that had completed the surveys in the four selected countries, after some data verification, were asked for an interview.

The interview had two main objectives: first, it helped verify and or complete partially filled-in survey answers. If an answer required clarity, it was sought during the interview and the partially completed or un-answered questions completed. Second, to further explore issues raised when completing the survey, i.e., social networks acquired while studying or working, multiplicity of these networks, contact frequency, relative value and erosion issues, and semi-structured questions relating to political capital and networks; the interviews focused on the following key aspects of entrepreneur political capital acquisition and the effects on the survival or performance of the enterprises they start or acquire (see appendix 2):

- 1) Looked at where the entrepreneur has acquired his/her human, social and/or political capital.
- 2) Tried to understand how these capitals are used within the enterprise's operations.
- 3) Asked why and how, if at all, the entrepreneur has had to use any form of political capital in furthering the enterprise's performance.
- 4) Questioned the importance and relevance of political capital value in enterprise performance within the country's cultural context.

- 5) Looked for perceived or actual differences in political capital value and intensity between returnee and non-returnee entrepreneurs.
- 6) Looked for any common issues relating to institutional practices and the responses to these that have affected entrepreneurs and their enterprises in the four selected countries.

As discussed earlier in this chapter, in order to remain within the aims of the research, participants had to meet the following requirements: a) have started or acquired a firm/enterprise, either alone or as part of a group, b) approximately half of all the participants to have spent at least 12 months outside their country of origin, primarily working or studying prior to starting the enterprise; c) that the person interviewed, at the time of the interview, which took place after they had completed the questionnaire, remained a significant shareholder (over 10% ownership), but more importantly that the individual was recognised as the leading member of the start-up group and one of the significant decision maker within the enterprise. Neither gender, number of employees nor age was considered significant for the purposes of the study; however, this data was collected and used as control variables. The survey also asked the industry in which the enterprises operates in and used as a control variable.

This researcher used his network of contacts through the entrepreneurial/investment community, local university business schools and personal contacts and employed a snowball, and/or criterion sampling approach. The entrepreneur and not someone within an entrepreneurial firm was selected since this approach is directly related to the aims of the research order to answer the proposed questions. The difference between returnee and



non-returnees on the enterprise performance is the primary focus of the research.

#### **4.5.1 Dependent variables**

Several indicators of firm performance have been found to be relevant, and to have good reliability, internal consistency and external validity, these included sales growth and changes in cash flow (Chandler & Hanks, 1993). Smaller firms and larger firms may differ significantly on how they perceive performance and make decision; accordingly, smaller firms may focus more on market share, margins, customer service, employee satisfaction and liquidity and place less emphasis on profitability (Richard et al., 2009). Newer high-tech firms, in particular, may be loss-making or have little revenue since their model, stakeholders and owners focus is on brand building, recognition or market penetration rather than revenue growth or profitability. Some financial performance measures, such as net profits, may therefore not provide a reliable indicator of firm performance. Small and large firms can and will perform in quite different manners. This may be seen in how they measure themselves. Large organizations may favour financial measures (Malina & Selto, 2004; Richard et al., 2009), while small firms may use both financial and nonfinancial variables to measure their performance (Richard et al., 2009).

Because of the above, this study primarily used a measure of performance: revenue growth (Revenue) over 3 years over the same period

(although it did look at and analyse profits as a secondary measure). These measures were selected due to a combination of the following four factors:

First, many entrepreneurs were not willing to share their complete financials or give copies of their statements, thus only sharing some of their figures. All 132 respondents shared volume over the 2013-2016 period on a yearly basis. Other profit and loss details varied considerably among respondents; however, all did provide a net profit measure. This data was verified during the interviews and company generated statements were asked for and seen, to verify the information. Where this was not possible the survey was taken out of the study.

Second, since most of the companies reported their data in a local currency, in a few cases Dollars or Euros, comparison in real terms across the complete sample meant that these were normalized in order to compare them on an equal basis. This was done two ways. The first was using a single unit of measure, in this case United States Dollar (USD) and then the log of this measure, and the second was to normalize the revenues in their local currency by country and the using the log of this measure. In addition, the percentage of change in revenue growth for the three-year period was also used to compare enterprise performance.

Third, local accounting standards or practices and the different levels of sophistication in the preparation and presentation of financial data. This ranged from fully audited to self-produce excel statements. Companies with in-house produced statements were asked for a second source of verification

such as invoices, tax and bank statements to verify some of the data for reliability.

Fourth, the range of businesses fit roughly in 51 industries or segments ranging from financial services to steel manufacturing. Due to the snowballing effect there was some minor concentration of industries, for example, education in Nigeria or financial in Colombia. However, no industry or segment represented more than 25% of the total in one country. Some industries or segments found in one of the countries may not be present at in another, i.e., farming and food production in Nigeria and Romania but not in Colombia or Poland, or finance firms in Colombia but none in any of the other 3 countries. This diversity makes for segment or industry comparisons if not impossible, of little value. However, the variance in performance that specificities within and industry bring with them, must be acknowledged. No adjustment was made to the data to take into account these differences in size or industry.

#### **4.5.2 Independent variables**

The independent variables were classified into three main groups, all referring to the entrepreneur answers in the survey. The first group of questions looked at the entrepreneur's background and helped determine if he or she was a returnee or a non-returnee, this included education, experience and where this had been acquired. The data included the years of work experience and level of general education. Experience was measured up to point of the firm's incorporation. The second group of variables is used to look at the entrepreneur's social capital and where this resided. Social capital was

determined utilizing several variables that, by varying degrees, help to capture the bonding and bridging or strong ties/weak ties dimensions and were grouped into two main areas: trust and value or relational reciprocity. Several dummy variables were used within each group. For example, one indicator of bonding and value was if the entrepreneur had donated time or money to a group(s) that they had previously identified.

As has been highlighted in the theory section, these types of variables not only have been used in many social capital and entrepreneurship studies, but have also represent relationships that are characterized by high levels of relational reciprocity and trust (Davidsson & Honig, 2003). This type of variable was used in Davidsson & Honig's (2003) study to indicate evidence of personal business networks and relationships. The third group of questions, which formed the base for the political capital variables were sub-divided into two groups: networks and value, these variables included political affiliation, use of bribes and lobbying, most of which have been used in previous studies to measure political capital (Smart, 1993; Ansolabehere et al., 2003; Stratmann, 2005; Brasher & Lowery, 2006), (see appendix 4).

The educational variables used in this study, were dummy variables for the different levels selected to help identify non-linear relationships by type of education. This approach has been used successfully in previous studies (Honig, 1998). For this study, five categories were created: High school, technical/vocational/polytechnic school, undergraduate university, and post graduate university, divided into masters and PhD. However, while some studies have successfully used the average years of education for each level

(Ganotakis & Love, 2012); others have pointed out that due to the variance of educational structures, as is found in the four countries selected for this study, and the different categorizations of secondary education, especially in these countries that offer both private and state run schools, these measures would prove inconsistent and probably useless (Miller, 1990; Honig, 1998). This study uses dummy variables for levels, specified to look at no-linear relationships by type of education, and returnee/non-returnee. In addition, this variable helped identify and verify if a respondent would be identified as a returnee (1) if they had studied abroad, or a non-returnee (2).

An indicator for Total Human Capital (THC) was created including both education and experience. In this study no, significant correlations were found between education and experience, (see chapter 5). In order to avoid multicollinearity issues, in the analysis, when looking at the enterprise performance they were also run separately. The variable education is a null variable aggregating high school, technical, undergraduate and post graduate level achievement and was used to capture both technical, business and general education. These were combined into an indicator labelled education. The second variable was labelled experience and was a single data point representing the total years worked before starting the enterprise and did not separate it by sectors although respondents were asked in what industries this experience was achieved. THC was the index representing both experience and education (see appendix 4). The definition and explanation of the variables used is further explained in chapter 5. For example, education was created using five questions in the questionnaire. Each one was a dummy

variable based on completion of a certain degree, high/secondary school/undergraduate/post-graduate (see appendix 2 and 4).

Since the survey did not involve any direct questions regarding the entrepreneur's relationship with people in his/her networks, a series of questions were developed to examine the entrepreneur's trust attitudes both within his/her business and social circles, but also with society in general. For example, some of the following questions were used for trust: 1) *'Most people in my selected networks can be trusted'*. 2) *'In this business environment one has to be alert or someone is likely to take advantage of you'*. 3) *'Do people, in my networks, generally trust each other in matters of lending and borrowing money'* 4) *'how much you trust different types of people'* and 5) *'In general do you feel you can trust the following.... to assist your company needs?'*. Using the data from these questions (see appendix 2 and 4 for the complete list), a new variable, or indicator, was created to measure trustworthiness and labeled 'SCt'. To measure the degree of trustworthiness, a Likert scale was used in each question (see appendix 4). The trusting relationship measure was unidirectional, meaning that the fact that the entrepreneur did/did not trust a particular group did not necessarily mean that those in that group also trusted the entrepreneur in return, a degree of centrality from the networks was not calculated.

The entrepreneurs were asked 29 questions relating to social capital. These in turn were initially grouped into two main indexes: value and trustworthiness. Value variables were separated into two sub-groups:

benefits and mutual help. Exploratory factor analysis of the data from the pilot questionnaire and interview, indicated that these items did indeed cluster together as recognizable factors. The questions specifically asked the entrepreneur to rate the perceived level of value that the networks, which they had identified earlier, had on their enterprise. In addition, all participants were initially grouped into a dummy variable: returnee/non-returnees based on if they have lived abroad for more than twelve months (see section 4.5.3). All other variables were then used to compare the two groups.

For the analysis reported in this study, I used the average of the Likert scale responses. For some of the questions the model calculated the  $\ln|x|$  before averaging it, since the ranges differed from positive to negative and negative to positive, this was done to align all the responses on the same level of measure. Two more indicators were developed to measure the perceived level of assistance given by people in the selected networks and labeled as 'help', and the third one to measure the perceived benefits derived from the involvement in and participation in the selected networks, this was labeled 'benefit'. The measures were tested for multicollinearity and the highly correlated predictors were removed from the model. Additional items were included to assess closeness among the members in G1 and G2, these two questions implied a level of trustworthiness. Rotated factor analysis (Comrey, 1973; Onyx & Bullen, 2000) was used to build the synthetic indicators based on the Kaiser-Meyer-Olkin measure of sampling adequacy.

The data set is then factor analyzed, and eigenvalues are recorded for each factor extracted. Modelling conducted for the data indicated that the appropriate number of factors to extract was three (see below for the description of these factors).

The political capital variable was constructed with data collected as part of the survey and interview. The questions in this sub-set followed those on social capital and referred specifically to political connections or access to politicians and political institutions both domestically and abroad. These questions asked about membership to political parties, political action committees or similar lobbying organizations, perceived benefits from these associations, links to politicians through any other network and the giving of bribes or favors with the intent to secure favorable treatment from political/governmental institutions. All were coded as null variables and combined into one indicator named 'political capital'.

#### **4.5.3 Control variables**

The control variables: age, gender, number of employees were used throughout the study consistently with every independent variable, in addition, industry: upstream and downstream and start-ups were also used in the analysis, (see chapter 5). These control variables have been used in many of past studies on human, social, political, entrepreneurship and returnee studies (Davidsson & Honig, 2003; Dai & Liu, 2009; Liu X. et al., 2010; Ganotakis, 2012).



The sample included both returnee and non-returnee entrepreneurs. Therefore, it included returnee, as someone who had lived, studied or worked outside the home country for more than twelve months, as a dummy variable. In order to investigate in more detail whether the different characteristics of returnee firms and local firms are associated with firm performance, the overall sample is divided into two sub-samples, returnee-owned enterprises and non-returnee entrepreneur-owned enterprises.

The data were analyzed using Ordinary Least Squares modeling (OLS), this has been the most used method in social capital studies (Westlund & Adam, 2010). This is due to its minimal demands in terms of measurement scales, sample size, and residual distributions. The research objectives and the relatively small sample size (Hair et al., 2012; Unger et al., 2011).

## **Returnee Entrepreneurs and enterprise performance**

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### **Returnee and non-returnees. Entrepreneurs and enterprise performance: an emerging market perspective.**

#### **5.1 Introduction**

This chapter will look at and analyse if being a returnee has a positive impact on enterprise performance when compared with no-returnees within the four-country sample set described in chapters 3 and 4. I will look at human, social and political capital as a way to explain the difference in performance among both groups of enterprises. I will conclude with a review of both the results that show that being a returnee indeed has a positive impact on enterprise performance, and how these fit within the existing body of research as I lay out future challenges in this area.

This study attempts to look at returnee entrepreneurship beyond areas that have been identified earlier such as human capital utilization and socio-political process, in which social or political ties help in shaping migrant's aspirations. Instead, it attempts to better understand how returnees' enterprise performance, usually associated with the accumulation of human, social or financial capital overseas, differs from those created by non-returnees. It also aims to look at human, social and/or political capital and if these singly or as an interaction help explain the differences in performance between returnee and non-returnee enterprises.

This chapter's objective is to explore the following: first, the difference in performance between enterprises founded by returnees and non-returnees;

second, if these differences are similar in the four countries and if not, why; third, the role that human, social and political capital play in these variations of performance; fourth, if there are such differences, what can help understand or explain them.

This chapter also considers jointly two issues in international entrepreneurship and business: first, how important is the acquisition of capitals both within and outside the individual's home country when looking at the enterprises' performance; second, how these returnees' enterprises compare to those that have been started by individuals that have never left their home country. These two issues have rarely been looked at jointly. Few previous returnee studies have looked them from a multi-country perspective (Black & Castaldo, 2009). Most studies have tended to look at these issues from a single capital, single country perspective, and/or focused on a specific type of enterprise or industry (see table 2).

These issues are closely related, both theoretically and empirically, although both have benefited from some research in the past, the two issues are rarely considered in tandem, and as a result, our understanding of the relationship between entrepreneurship, returnees and non-returnees from a multi country, emerging market perspective is less complete than it could be. Entrepreneurial mobility has become an area that researchers have found of increased interest in recent years. 'Research on entrepreneurial mobility is fragmented and many aspects are largely neglected' (Wright, 2011, p. 137). This has been mainly because returnee entrepreneurs, were considered usually associated with

entrepreneurship, strategy, and IB and seen as a more recent occurrence (Bai et al., 2017).

Returnee entrepreneurs are defined as individuals who return to their home countries to start-up a new venture after living abroad (Drori et al., 2009, cited in Bai et al., 2017). These returnees are students, workers, professionals or entrepreneurs that have lived abroad, mainly in OECD countries (Dai & Liu, 2009; Filatotchev et al., 2009). Returnee based firms can be defined as businesses created by migrants that decide to continue to be, or become entrepreneurs, after coming back to their home country from living abroad (Bai et al., 2017).

Return migration of the well-educated or highly skilled is described as a boon for all parties involved: the home country, the host country, as well as, the individual him/herself. The individual(s) gains human, social and/or political capital overseas which can be converted into economic advantages back in their home country and the host nation benefits from a motivated, highly skilled workforce that fill gaps in the labour market. These advantages can take the form of higher salaries, investments in the economy, currency inflows, and transfer of knowledge and skills (Wiesbrock, 2008, cited in Qin & Estrin, 2015), as well as, being conducive to knowledge spill-overs and innovation (Filatotchev et al., 2011). Returnees have also been demonstrated to facilitate direct technology transfers (Pruthi, 2014).

However, many of these returnees do not acquire STEM related education or skills and thus, will have a more general mix of skills and types of education. Some nations have a very large emigrant population with, it can be

assumed, varying and diverse educational, social and experience-based backgrounds. China, for example, had a total of 108,000 foreign educated nationals return to the country in 2010 up 56.2% over the previous year. This number had grown to 544,500 returning students by 2016 (Xinhua News Net, 2016). Russia, India, Pakistan, Mexico and Brazil are among the many countries that have experience large migrations of people seeking a better education and/or better economic conditions. For example, it is estimated that over 2 million Poles have moved to Western Europe from 2005 to 2016 (Poland-Central statistics office, 2017). This large movement of people, has at times, been seen as a serious issue for the home nations, the so called 'brain and labour drain'. However, in the past, for some nations it has helped alleviate pressures on jobs and helped balance of payments issues, as the remittances help the local economies. The growth of these nations economically, has in turn, created the need for these skilled individuals to return. Taiwan, China, India and even recently, Poland and Romania, have enacted programs to encourage educated and skilled individuals to return home. This idea of 'brain circulation' has resulted in many of the governments mentioned above, creating policies and incentives to encourage the creation of returnee driven enterprises (Kenney et al., 2013; Zweig, 2006, cited in Bai et al., 2017).

The reverse migration to China and India has been the subject of several recent studies (Li et al., 2012; Qin & Estrin, 2015). What returnees bring with them has been looked at from different perspectives such as new business ideas that involve financial capital (Findlay, 2002), extensive ties with local and global business or technology communities (Kerr, 2008; Saxenian et al., 2002) and entrepreneurship (Kapur & McHale, 2005; Saxenian, 2006;

Wahba & Zenou, 2012; Qin, & Estrin 2015). This may also include managerial and/or entrepreneurial skills (Chen & Tan, 2016).

Returnees have been a source of technological knowhow. Countries such as China have set up special parks where these individuals are encouraged to start their own enterprises (Wright et al., 2008; Liu et al., 2010; Filatotchev et al., 2009). These enterprises are important drivers of economic growth and those relocating to these parks seek assets that are complementary to their human, social and in some cases, political capital (Gans & Stern, 2003; Teece, 1987; Hsu, 2006). However, most start-ups in developing nations are small non-STEM related type of enterprises. Over 70% of all new business in 35 developed and developing nations, were small operations (OECD, 2017). These enterprises covered a wide spectrum of industries, including construction, transportation, manufacturing, services, telecommunications and hospitality (OECD, 2017), while the OECD data shows start-ups as a whole in these countries, it is a good indicator of the wide variety of enterprises that returnees may engaged in. Other recent studies involving returnees have included population density on innovation performance (Filatotchev et al., 2011), returnee characteristics such as determinants of enterprise performance (Bai et al., 2017; Dai & Liu, 2009), the effect on exports (Filatotchev et al., 2009) and the internationalization of returnee founded firms (Bai et al., 2017). Most, but not all, of the recent studies in this area have focused mainly on Chinese and Indian returnees (Qin et al., 2013; Dai & Liu, 2009; Bai et al., 2017). Both nations have fast growing economies with extremely large émigré populations and a keen interest in repatriating both skill and knowledge.

There remain gaps in understanding better how the areas listed above affect returnees' enterprises in nations other than China and India. The study of the differences between returnees and non-returnees' firm performance is still a relatively underdeveloped topic. Comparative studies between returnee and non-returnee groups have looked at how they deal with uncertainty in intra-organizational relationships in China (Liu & Almor, 2016), or have focused on a specific industry, for example, firm performance in high tech industries in China (Dai & Liu, 2009).

## **5.2 Entrepreneurs and their capitals**

Central to any returnee enterprise study, is the issue of how firms acquire the knowledge and skills necessary to survive and prosper. This has been a key theme both in IB and entrepreneurship literature. There is a widely held view that entrepreneurship is a sequential process. The importance of building expertise as a gradual process in internationalization was first described by Johanson & Vahlne (1977), as critical in driving expansion from the company's home markets. In similar fashion, the importance of the role of the entrepreneur is looked at by using the competency approach which takes a process perspective (Morris et al., 2013). This results in the entrepreneur's competencies being built up over time and should be considered and framed within the characteristics that encompass personality traits such as skills and knowledge, or in other words, human capital. The long-term effects allow researchers to study closely organizational performance (Man et al., 2002). This in turn leads to the study of major areas of entrepreneurial competency

such as: relationships, organization, commitment and opportunity to name but a few (Man et al., 2002).

The issue of liability of foreignness and outsidership that emigrants face when trying to build networks in their host country have resulted in many of them seeking fellow nationals (Portes & Bach, 1985). However, it is the diversity of the networks that are built, that potentially give returnee enterprises additional value once the enterprise has been started and the entrepreneur draws from these diverse networks. A recent study has pointed out that networks, open or closed, can generate benefits. Looking at it from a liability of outsidership perspective, these network values depend on the degree of liability of foreignness. Open networks may work more efficiently in low psychic distance settings. Close structures may be more beneficial when psychic distance is high and 'the actor needs to access (the) cohesiveness benefits of social capital' (Yamin & Kurt, 2018, p. 12). In addition, the concept of cross border alliances, in the case the entrepreneur being the main actor, is also of interest since the distinction between knowledge acquisition and knowledge accessing alliances play a role in the benefits these may bring to the newly formed enterprise (Yamin & Kurt, 2018).

The entrepreneur is thus, firmly at the centre of enterprise creation and development. Research in this field has looked at human capital attributes and the impact that STEM start-ups have on company performance, innovation, exports and internationalization (Chen & Tan, 2016; Li et al., 2012; Filatotchev et al., 2009). Others have explored the idea that a lack of human capital among certain immigrant groups enhances enterprise formation as a way to



compensate for lack of education or skills (Rath, 2006). Some studies have looked at the social and/or human capital that entrepreneurs bring with them and their impact on enterprise performance and/or operational areas such as exports (Davidsson & Honig, 2003; Ganotakis & Love, 2012); political capital, connections and firm benefits on performance such as the ability to expand internationally (Bandeira-de-Mello et al., 2012; Crispin, 2002; Chen, C. et al., 2010); receiving subsidies or bailouts (Faccio, 2006); securing government contracts (Krueger, 1974), or access to preferential financing (Joh & Chiu, 2004; Cull & Xu, 2005; Faccio, 2010; Liu et al., 2013).

As mentioned earlier, there has been a recent increase in the study of migration and entrepreneurship. Many of these studies have dealt with analysing the occupational choice of returnees and showing that they have a high probability of engaging in entrepreneurial activities. A variety of studies have looked at different aspects of this. These have included of self-employment (Ilahi, 1999; Gubert & Nordman, 2011); saving from employment abroad (McCormick & Wahba, 2003; Mesnard, 2004); returnees and the probability of engaging in entrepreneurial activities (Kilic et al., 2009; Wahba & Zenou, 2012); loss of social capital (Kilic et al., 2009; Wahba & Zenou, 2012); and a couple of studies in China that find that returnees from cities to their rural homelands are more likely to be self-employed or start a small enterprise (Démurger & Xu, 2011; Murphy, 1999).

Much of the research mentioned above, has shown to some degree or another, that returnees are a valuable resource to any emerging economy. However, some recent studies have questioned the relative importance to a

country that returnees may have in building sectors of the economy such as high tech, which other studies have previously implied. Kenney et al, (2013) argue that most high-tech development in Taiwan, China and India was driven by local entrepreneurs and that the returnee's value was only added after the initial ignition of these industries. Countries perceptions of the relative importance of the value deriving from returnees may have been exaggerated at least in the initial development stages and thus 'accordingly, both theory and policy prescriptions following the historical views of the transformative impact of returnees should be significantly revised' (Kenney et al., 2013, p. 393). However, the same authors acknowledge that returnee's impact of the development and growth of high-tech industries in the countries has been positive (Kenney et al., 2013). This type of debate highlights the need for better understanding the role and importance returnees play in developing nations sector and enterprise formation.

### **5.3 Objectives**

This chapter aims to fill this gap in understanding the factors explaining the difference between returnee and non-returnee entrepreneurial firms by developing a model where the returnee entrepreneur's international experience is expected to have a positive influence on the firm's overall performance. I anchor the model theoretically in capital theory which has been discussed in more detail in chapters 1 and 2.

Past returnee focused research has highlighted the fact that there are still very few comparative studies. Descriptive studies have been carried out on the issue of returnees (Saxenian et al., 2002.). Research on entrepreneurial

mobility is both fragmented and, some aspects of it, neglected (Wright, 2011). Moreover, it has been pointed out that areas such as returnee's background and character's effects on their enterprise's performance require more study since very little is known about them (Wright, 2011). In addition, in another study, the authors claim that there is a lack of formal evidence that help show and understand to what extent returnee-owned firms gain a competitive advantage, substantial or otherwise, compared with local entrepreneur-owned firms, while also attempting to understand what are the differences in performance between returnee entrepreneurs and non-returnee entrepreneur-owned firms (Dai & Liu, 2009).

This chapter focuses on the following research questions, which to the best of my knowledge, have not been addressed in the IB literature. Do returnees and no-returnees differ with respect to their enterprise's performance across multiple geographies? Are returnees' entrepreneurial activities more likely to be more successful than those of non-returnees and is this a local phenomenon or is it found in different countries and continents? Can the interaction of capitals in returnees and non-returnees helps us understand the impact or returnees on enterprise performance? This study, makes several contributions to the literature: first, it develops a model of returnee entrepreneurship in emerging markets that integrates important elements of the literature on entrepreneurship and IB; second, it analyses and study some potentially significant, but underexplored area in enterprise success such as, the value of human, social and political capitals within the entrepreneur across locations; third, it looks at identifying potential interactions (complementarities)

or choices (substitutions) that the entrepreneur makes when using one or several of his/her acquired capitals.

This study helps to advance the theoretical development of capital theory in enterprise and returnee research, and to broaden understanding of the mechanisms that facilitate international knowledge capital and social capital flows. This study also provides new insights into the role of human mobility, in the form of returnees, in the economic development of emerging economies. The findings also generate important implications for policymakers and practitioners.

The chapter is organized into four areas. In the first section, it considers the rise in international migration from developing to developed nations, and its potential links to small business development. In the second section, it reviews key issues relating to the development of entrepreneurial activity in developing nations, and in particular, in the four countries studied, drawing on theoretical perspectives that seek to explain what leads to enterprise performance. The third section, discusses the results and is based on the survey of return migrants and non-returnee entrepreneurs in four developing countries: Colombia, Nigeria, Poland and Romania. It explores the impact of pre-existing characteristics and migration experience on the performance of the businesses compared to those that have never left the country. The analysis also investigates the role that human, social and political capital may have in explaining this variance. The fourth section gives some conclusions on how the paper's findings might be relevant to migration, re-integration and development

policies. This final section also discusses the findings and explores future research.

#### **5.4 Theoretical background**

Two strands of literature are closely related to the research questions: first, the link between return migration and entrepreneurship performance and second, the literature on returnees is also very closely linked with that of immigration, mainly to western developed countries, and the reasons they may have had to return, as well as, the skills they bring back to their country of origin.

The literature on immigrant and/or ethnic entrepreneurship has had the propensity to focus on explaining the tendency of specific groups to be drawn to entrepreneurship and how they achieve success. Several theoretical approaches have utilized cultural characteristics such as propensity for risk (Light, 1972; Metcalf, et al., 1996) and as a means of integrating themselves in otherwise hostile labour markets (Saxenian, 2002, 2007). Theoretical development in this field has led to a convergence of approaches that looks at entrepreneurs that participate in ethnically specific networks which in turn, help their enterprises' formation and growth, the issue of social embeddedness (Rath, 2006). This approach has thus led to a focus on social networks and their impact on entrepreneurship (Wong, 1998), which in turn, highlights how dynamic and complex the process that is closely associated to other capitals such as human, social, political, and financial is (Light & Gold 2000; Granovetter, 1995, cited in Rath, 2006).

Some of the research has looked at much more economic driven models. The discussion on focusing too much on one side of the equation, that is, in itself, supply side driven, and that assumes unregulated economies, has been counteracted by work that considers the regulated nature of economies and the intrinsic barriers that are found in most developed economies. This thinking has required researchers to include concepts such as the salience of regulation and economic dynamics when looking at immigrant enterprise (Rath, 2006). A concept that has been used in past research is that of mixed embeddedness (Kloosterman et al., 1999; Kloosterman & Rath, 2001).

These theoretical approaches have been used by researchers as they explored the underlying factors in returnee entrepreneurship. Capital theory is a valuable tool when looking at the major non-refugee factors that drives much of the world's migration: that of economic betterment. Economic migration has looked at migrants and returnees enterprise formation as a way to fulfil their economic aspirations and compensate for lack of human, social or political capitals (Sanders & Nee, 1996; Wahba & Zenou, 2012). The idea of the creation of unique value(s) is at the core of those studies which have looked at facilitating exporting or technological transfers (Filatotchev et al., 2009; Liu et al., 2009). Other studies have focused on the exploitation of opportunities based on the favourable conditions in the home country.

Most of the studies mentioned above have taken two strands from the economic literature to look at the survival of entrepreneurial activities and in the analysis of the nexus between returnees and entrepreneurship at origin (Marchetta, 2012). One of these is that of the survival of the enterprise, which

in turn can be divided into two units of analysis. The first is the actual survival of the enterprises and the second one deals with the occupational choices that the entrepreneur makes (Marchetta, 2012). The study of survival of enterprises has investigated many issues that have included the legal frameworks (Lichtenstein, 1993; Teubner, 1988), and the creation of formal versus informal enterprises (Thai & Turkina, 2014) and how these are tracked. This last one is of particular interest since it involves the entrepreneur. SMEs are particularly linked to the economic environment in developing nations. However, the informal status of many of these enterprises may prove difficult to track over time. Holtz-Eakin et al., (1994) modelled the persistence of entrepreneurial activity which depends on the individual characteristics and the choices made by the individual based on these characteristics.

The use of characteristics as the only determinants of occupational choice has been used extensively in the literature (Carrasco, 1999; Taylor, 2001; Van Praag, 2003). The individual characteristics associated to the entrepreneur and the survival of their enterprises are usually included as explanatory variables. Variables such as age (Vijverberg & Haughton, 2004), and gender (Ashe et al., 2011) have been found to be significant in some studies.

Economists have also been interested in looking at the factors that may affect returnee choices when it comes to the type of entrepreneurial type of activities. These decisions have been found to be positive when associated with work experience and education (Dustmann & Kirchkamp, 2002), duration of stay (McCormick & Wahba, 2003), and availability of credit (Ilahi, 1999).

These areas of research have drawn mainly from human and social capital theories and as have been discussed in greater depth in chapters 2 and 3. Social capital, has drawn primarily from the work of Bourdieu (1980, 1986), Coleman (1988, 1990), and Putnam (1995, 1996, 2001) and used to better explore and understand entrepreneurship and international migration. These in turn, have developed research areas that include social influence (Sørensen, 2007), social environment (Dobrev & Barnett, 2005), and networks (Durand et al., 1994, cited in Qin & Estrin, 2015).

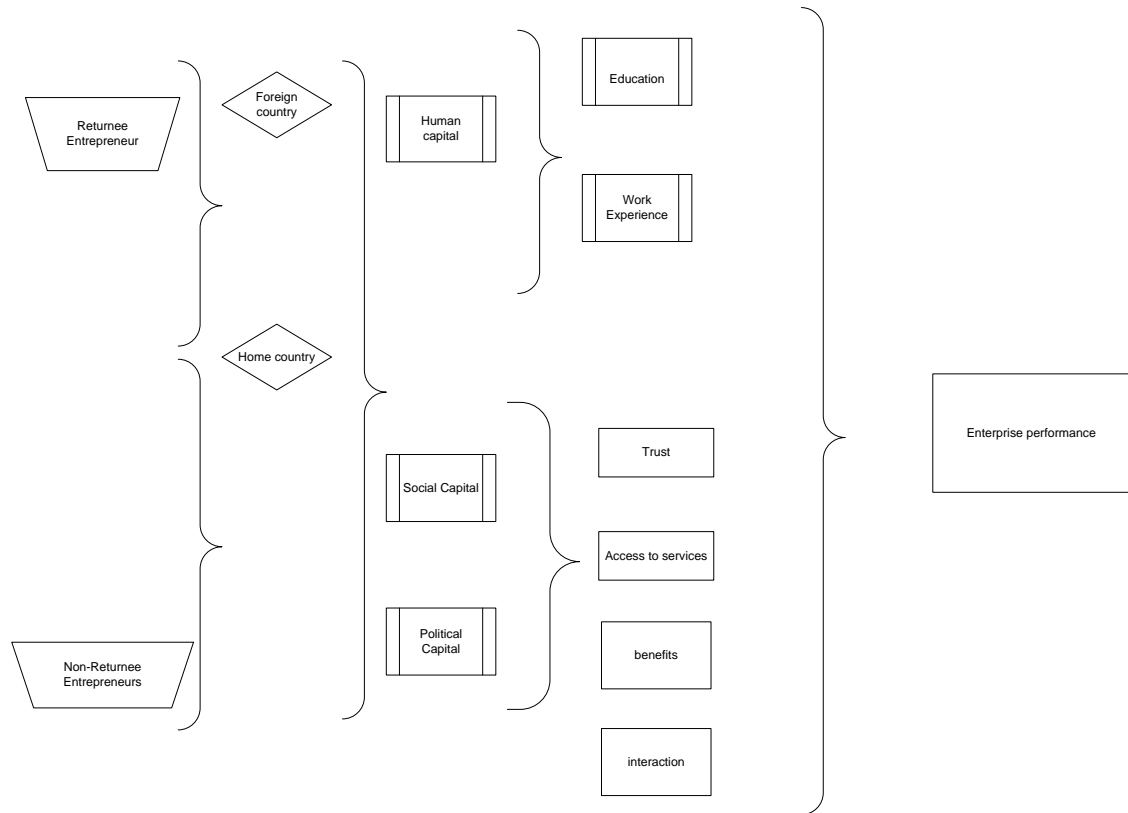
As has been mentioned earlier, this study draws from capital theory and the idea that entrepreneurship performance adopts the same unit of analysis, the use of capitals as resources. In this case, the capital is the interaction of human, social and political capitals that have been acquired in the home country and in the case of the returnees, in other nations (see chapter 2 and figure 3). This leads to the formulation of the following hypothesis:

Hypothesis 1: Being a returnee entrepreneur is positively associated with enterprise performance.

Recent research has placed much of its emphasis at looking at what characteristics' entrepreneurs, and in a few studies, returnee entrepreneurs, have and what consequences these may have on their enterprises. Some of it finds a distinct value in the human and social capital that returnees possess.



**Figure 3:** A theoretical model of returnee entrepreneurship and enterprise performance



This value is reflected in the ability to export (Filatotchev et al., 2009), enhancing knowledge spill-overs and innovation in high tech clusters (Liu et al., 2010; Wright et al., 2008). While others look at how the lack of capitals is a driver for returnees to start their own enterprises in order to compensate for this lack of capitals (Rath, 2006; Marchetta, 2012; Piracha & Vadean, 2010, cited in Qin & Estrin, 2015), or that high levels of education acts, in itself, as a barrier since the highly educated individuals tend to be more risk averse and will seek higher paying jobs (Rath, 2006). This form of enterprise may take the

form of self-employment or micro-enterprises in countries where access to finance is difficult (Marchetta, 2012) or as a larger enterprise as way to regenerate regional economic life (Gaddefors & Cronsell, 2009).

The SME literature has found that manager's characteristics strongly influence their firm's characteristics and how decisions are made (Acedo & Galan, 2011), other studies have shown how experience affects positively enterprise performance either as part of human capital or as a separate construct (Becker, 1962; Davidsson & Honig, 2003). Returnee entrepreneurs' experience, education and networks acquired overseas should then result in a transfer of the knowledge to the enterprise that he/she has created. This would particularly be the case in small or new organizations with few employees in which the total amount of knowledge is highly concentrated in a few individuals. Although this would not just refer to returnees, since all entrepreneurs would have some of the same characteristics, it could be expected that the diverse nature of knowledge that returnees bring with them would have a positive relationship to the enterprise's performance. This may be in the form of new ideas, innovation, and methods or more specifically by incorporating internationalization into their strategy (Bai et al., 2017).

Immigrant and returnee populations use enterprise creation in the host country as a way to overcome the barriers to employment that lack of education or social networks bring with them (Rath, 2006). This idea of gaining some capitals while eroding others has been identified in a study on venture performance in China, in which the advantages of foreign acquired higher

education and experience is balanced by the disadvantages that come from a loss or lack of local connections and knowledge (Li et al., 2012).

Entrepreneurship at its core, revolves around finding opportunities and exploiting those (Shane & Venkataraman, 2000). Past research has looked at how favourable structures in the home countries lead to enterprise creation (Qin & Estrin, 2015). The fact that these structures exist, does not necessarily mean that they will be exploited, and this is especially true by those who live far away (Westhead et al., 2001). How returnees identify and exploit opportunities when they return to their home countries is directly linked with their internal resources. These may include access to information in their home country, access to local financing, an ability to implement the idea and willingness to take risks. It also considers that some factors are shaped in one way or another by the individual's experiences, as well as, the social environment and macroeconomic context in which the person is embedded (Qin & Estrin, 2015).

Some of these issues identified above, are addressed in the literature by looking at how returnees use their human or social capital, when identifying why some entrepreneurs succeed in starting an enterprise compared to those who fail. This resource utilization becomes embedded in the enterprise as soon as it starts operations. What is still lacking, is a better understanding of how the differences between returnees and non-returnees affect enterprise performance past their start-up period.

This study proposes that returnees use their human, social and political capitals acquired overseas as an additional resource that is incorporated into

the enterprises that these individuals create upon returning home in several ways: first, that this difference positively influences how returnee founded enterprise performs versus non-returnee started enterprises; second, that erosion in the returnee's social and political capitals is not significant enough, or is outweighed by the additional capitals acquired overseas to impact enterprise performance; third, that social capital is complementary but not substitutional with human capital and that political capital is complementary with social capital but a substitute to human capital in enhancing enterprise performance.

Hypothesis 2: Human capital is positively associated with returnee enterprise performance.

Hypothesis 3: Social capital is positively associated with returnee enterprise performance.

Hypothesis 4: Political capital is positively associated with returnee enterprise performance.

Hypothesis 5: For returnees, human capital and social capital substitute each other in enhancing enterprise performance.

Hypothesis 6: For returnees, human capital and political capital substitute each other in enhancing enterprise performance.

Hypothesis 7: For returnees, social capital and political capital complement each other in enhancing enterprise performance.

## **5.5 Methodology**

As has been discussed in detail in Chapters 3 and 4, the research is based on a survey conducted from January 2015 to May 2017. The number of respondent entrepreneurs included in the study totalled 132 and were based in four countries: Colombia, Nigeria, Poland and Romania. In order to test the hypothesis, keeping in mind that returnees are a relatively rare phenomenon among the general population and even rarer among the entrepreneur population (Qin & Estrin, 2015), the study included both returnees and non-returnees in equal parts where possible but no less than 35% and no more than 65% of the total sample in a particular country (see table 7).

The selection of the countries has also been described in detail in previous chapters, however, it is important to highlight that as part of the country selection, large migrant populations was a key factor. Since dependable return migration data is generally unavailable, the assumption was made that a large migrant population would result in a large enough group of returnees that would, in turn, result in new enterprises that would have been created and survived. An algorithm, that included this aspect, was developed. It ranked countries globally and from this grouping final country selections was created and applied considering emigration factors (see chapter 3).

### **5.5.1 Country overview**

Colombia has had a long history of social and political violence which started with the assassination of the presidential candidate Jorge Eliecer Gaitan in 1948 (Braun, 1985). This led to an armed resistance to the government that continued for more than 50 years. The violence in the country led to its increasing urbanization as rural populations fled the more affected

zones. This also led to large emigration. The OECD (2009, 2014) estimates that approximately 1.4 million Colombians have left the country for OECD countries, mainly the USA, and/or other Latin American countries. This represents approximately 4.7% of the total population (OECD, 2009).

The report also highlights that approximately 53% of these emigrants had high school education or better, vs. 42% for the overall population, and approximately 22% of the total population had college degrees (OECD, 2009, 2014) as compared with 16% for all emigrants. This shows the effect of the conflict on poorer, less qualified segments of the population. The war on drug traffickers in the 80's and 90's accelerated emigration but this time it included urban well-educated professionals. The break-up of the drug cartels sustained economic growth, and peace negotiations with the rebels has resulted in many Colombians deciding to return home. The signing of a free trade agreement with the US in 2012 (US TPA, 2017), offered additional incentives for Colombians with ties with the US to return and focus on export-oriented enterprises.

Poland has been a net population exporter with over 2.1 million individuals leaving the country since 2000 (Poland central statistics office, 2017). Although the data is incomplete, it is estimated that approximately 900,000 Poles live in the UK and another million in Germany (Eurostat, 2007). This migration was initially driven by lack of jobs in Poland and the opportunities to settle in low unemployment European countries after Poland joined the EU in 2005. Poland has experienced rapid economic growth in the past 20 years, in 2016 its total GDP was ranked ninth within the EU (Eurostat,

2017). Continued population drain has prompted several Polish municipalities to start recruiting drives in other EU countries to motivate skilled and semi-skilled individuals to return. The returnee data is scant; however, transnationalism appears to be a key driver as many Polish emigrants retain strong ties back home, and investing their savings back in Poland (White, 2014).

The Romanian émigré population is one of the highest in Europe with approximately 17% of the total population living outside the country (United Nations, 2015). Romania has the highest rate of emigrant growth of any country not facing war (United Nations, 2015). The migration has been a result of lack of jobs, and the prospect of employment and higher wages in other European countries. A study by Ambrosini et al., (2010), demonstrated that over a 13-year period, 1990-2003, approximately half the emigrant population returned to the country. These patterns have prompted the Romanian and EU governments to set-up special funds to attract and stimulate the establishment of enterprises by returnees (EACEA, 2018).

The case of Nigeria is like the other three. The United Nations estimates that about 1 million people migrate from the country annually. Most of this migration is to the US, Britain and neighbouring countries in Africa (United Nations, 2015). The number of returnees is not tracked. However, it is estimated that 17 Million Nigerians are currently living abroad (OECD, 2017). In the past 10 years, there has been a visible increase in the number of émigrés that have returned partly due to the economic crisis in the more advanced nations (Deutsche Welle, 2014).

All four countries provide an ideal setting to look at the difference in enterprise performance between returnee and non-returnee established enterprises. None of the enterprises was less than a year and a half old at the time of the survey, and the average was 13 years of operation for the 132 enterprises in the survey. As pointed out in chapters 3 and 4, there are other limitations. Past studies that based their results on samples from established firms and dealt with questions that referred to the early stages of the start-up process such as motivation or how resources were acquired and used, have suffered from serious shortcomings. This is a result of two main factors: first, that less than half of the start-ups that are ever recorded in public records are successful (Aldrich, 1999). Thus, this study is subject to success bias, since the sample is based solely on the cases that have survived the creation process; second, memory decay and the resulting bias, (Davidsson & Honig, 2003). The second factor was addressed by cross referencing data and follow-up questions (see chapter 4).

This study aims to overcome at least partially, some of these limitations. It starts by randomly identifying entrepreneurs in each of the selected countries, the study explicitly examines the influence of human, social and political capital on exploitation rather than discovery. Although the process does not explicitly allow for any comparison between the two stages, it does allow for at least tentative conclusions as to the relative importance, if any, of the capitals in looking at differences between returnees and non-returnees in the performance of their enterprises.

## **5.6 Data set**



The data are based on a total of 132 respondents from four countries. It should also be noted that there may have been some sample bias due to the effects of the snowballing method. Neither returnees nor non-returnees were pre-selected or encouraged to participate to insure a certain mix. Returnees were 44.6% (58) of the total number of respondents (132), with Poland having the highest at 55% and Nigeria the lowest at 37% (see table 6).

**Table 6:** Number of respondents-all countries

<b>Country</b>			
<b>Colombia</b>	Non Returnees	19	59%
	returnees	13	41%
	<b>Total</b>	<b>32</b>	
<b>Romania</b>	Non Returnees	18	56%
	returnees	14	44%
	<b>Total</b>	<b>32</b>	
<b>Poland</b>	Non Returnees	15	45%
	returnees	18	55%
	<b>Total</b>	<b>33</b>	
<b>Nigeria</b>	Non Returnees	22	63%
	returnees	13	37%
	<b>Total</b>	<b>35</b>	

It should also be noted that this survey does not constitute a statistically representative sample of returnees and/or of entrepreneurs in any of the four countries, since the total population of returnees or of entrepreneurs is unknown for any of the countries. The data collected from each enterprise was crosschecked with available public information and all respondents were interviewed and the information verified or updated where it was clear the

respondent had not understood the meaning of the original question. The research design and the ad hoc analysis point to a limited likelihood of common method bias in the data.

The survey data analysis shows that among returnees, females represented 39% and among non-returnees 37% of the total respondents (see tables 7 and 8). This level of female respondents is skewed by 2 of the countries. Females in Nigeria represented 9% of the respondents, while in Romania they were 59% (see tables 7 and 8). If Nigeria is excluded, the sample was 49% female. This is higher than other studies that have shown that males tend to significantly outnumber female entrepreneurs in IB entrepreneurship studies (Novak et al., 2012; Adrien et al., 1999),

**Table 7:** Respondents by gender

	<b>Male</b>		<b>Female</b>		<b>Total</b>
Non-Returnees	46	57%	28	55%	74
Returnees	35	43%	23	45%	58
Total	81		51		132

**Table 8:** Respondents-gender by country

<b>Country</b>	<b>Male</b>		<b>Female</b>		<b>Total</b>	
Colombia	19	23%	13	25%	32	24%
Romania	13	16%	19	37%	32	24%
Poland	17	21%	16	31%	33	25%
Nigeria	32	40%	3	6%	35	27%
Total	81		51		132	

Educational levels among the respondents was high: 99% of those individuals had finished high school, 76% had an undergraduate degree, of which 84% of returnees versus 70% of non- returnees had a university degree, only one respondent had not progressed past primary education (see table 9). This is significantly higher than the graduation rates for both secondary and tertiary education in all four countries (see table 10). Vocational school appeared to be an alternative to university education with 25% of all respondents having graduated from one (see table 9). However, 30% of those with a vocational degree had gone on to get an undergraduate degree and 33% of returnees had received their degree abroad (see table 12).

**Table 9:** Respondents-education–degree

	<b>Secondary</b>		<b>Vocational</b>		<b>University UG</b>	
Non-Returnees	73	56%	21	64%	52	51%
Returnees	58	44%	12	36%	49	49%
Total	131		33		101	

Nevertheless, some of the data mentioned above may simply reflect the selectivity in migration and returnees based on education. Previous studies have shown that a relative high proportion of immigrants into OECD countries are tertiary educated. A study that looked at brain drain to the US in the 1980's showed that immigrants with tertiary education ranged from a high of 78% for Guyanese to a low of 3% for Chinese (Carrington & Detragiache, 1999). The sample in this study reflects the variations among countries of educated and experienced migrants among returnee populations.

**Table 10:** Education-selected countries

Country	Education attainment general population*		Education attainment emigrants**	
	Secondary degree	Tertiary education	Secondary degree	Tertiary education
Colombia	42%	22%	53.3%	16.0%
Poland	63%	28%	32.6%	21.6%
Romania	77%	26%	32.8%	23.9%
Nigeria	54%	4%	41.2%	33.2%

\*Source: OECD/ World Bank (2015)

\*\*Source: OECD-DIOC-E 2000,2011,2016; Barro & Lee (2013), Lutz & Samir (2011)

The snowballing method may have resulted in proximity bias, although the survey tended to draw from a particular city or a region in a country, such as Maramures in Romania, and in some cases with an emphasis on the capital cities such as Abuja and Bogota. Every attempt was made to minimize this potential bias by expanding the recruitment of entrepreneurs from one original source to several sources, to insure as much as possible that the enterprises were of a diverse mix of industries and to include a few with a more diverse geographical pattern. The mean for age among non-returnees was 47 and for returnees 45. Romania have the lowest average age for returnees at 34 years while Colombia had the highest at 53. The average age for all participants was 46.5 years. Colombia had the average age for its respondents at 53.4 years while Romania had the lowest at 40.5, (see table 11).

**Table 11:** Work experience-years

Country	Ave.Age		Work Years	Number	
			Mean	Respondents	
Colombia	53.4	Non Returnees	28.37	19	59%
		returnees	23.23	13	41%
		<b>Total</b>	<b>26.28</b>	<b>32</b>	100%
Romania	40.5	Non Returnees	17.83	18	56%
		returnees	8.14	14	44%
		<b>Total</b>	<b>13.59</b>	<b>32</b>	100%
Poland	47.8	Non Returnees	10.4	15	45%
		returnees	9.67	18	55%
		<b>Total</b>	<b>10.00</b>	<b>33</b>	100%
Nigeria	44.6	Non Returnees	7.95	22	63%
		returnees	8.85	13	37%
		<b>Total</b>	<b>8.29</b>	<b>35</b>	100%
<b>Total Sample</b>	<b>46.5</b>			<b>132</b>	

In addition to questions about the entrepreneur's, age, gender, education, experience and networks, the survey included several questions that explored the nature of the entrepreneur's residency including, time abroad and the purpose of the time abroad. Within the sample of returnees surveyed in the four countries, some differences have been identified in terms of the levels of education, gender, age and experience. Colombia had the highest average number of returnee respondents studying abroad: 69% while Nigeria had the lowest: 8%. Romania showed the greatest difference in years of work experience, 8.1 for returnees versus 17.8 for non-returnees (see table 11). While 83% of the returnees had worked abroad, only 33% had studied abroad (see table 12).

Returnee's experience abroad is reflected in their enterprises having a significantly higher number of operations abroad, 49% of them had one or several foreign based operations: factories, subsidiaries, offices or R&D

centres compared to non-returnees' enterprises at 17%. This may also help explain some of the difference in performance (see table 12).

**Table 12:** Returnees-education experience and foreign operations

Non Returnees	74
Returnees	58
Returnees % Total respondents	44%
Education/ Experience abroad	
Worked abroad	83%
Studied abroad	33%
Enterprises with operations abroad	
Returnees	49%
Non-returnees	17%

### 5.6.1 Dependent variables

Enterprise performance is measured by the entrepreneur's enterprise income (revenues) over a period of 3 years: 2013-2016. The problems of measuring firm performance in transition economies are widely recognized. Financial measures may be unreliable in a transitional environment (Liu et al., 2013). Similarly, measuring the performance of newer and/or smaller firms, even in developed economies, can be problematical due to the lack of published information. Clearly defining what is meant by organizational performance is critical in determining how the data will be used and add value to the research. According to Richard et al., (2009), organizational performance has three specific areas of firm outcomes: (1) financial performance: profits, return on assets, return on investment, Earnings Before

Interest, Taxes and Depreciation and Amortization (EBITDA), and gross margin; (2) product market performance: sales, distribution market share, brand share; and (3) shareholder return: total shareholder return, economic value added, share price.

Several indicators of firm performance have been found to be relevant, and to have good reliability, internal consistency and external validity. These include sales growth and changes in cash flow (Chandler & Hanks, 1993). Smaller firms and larger firms may differ significantly on how they perceive performance and make decision accordingly; smaller firms may focus more on market share, margins, customer service, employee satisfaction and liquidity and place less emphasis on profitability (Richard et al., 2009), (see chapter 3).

Based on the above analysis, the following measure of performance were used: revenue growth (Income) over 3 years. This measure was selected due to a combination of the following factors:

First, many entrepreneurs were not willing to share their complete financials or give copies of their statements, thus only sharing some of their figures. All 132 respondents shared volume (revenues) over the 2013-2016 period on a yearly basis. Other profit and loss details varied considerably among respondents; however, all provided a net profit number. This data was verified during a post survey interview and company generated financial statements were asked and seen to verify the information. Where this was not possible the survey was taken out of the study (see chapter 4). The income data over the three years based on growth was used as the main dependant variable.

Second, since all companies reported their data in a local currency, and in a few cases Dollars or Euros, comparison in real terms unit terms across the complete sample was normalized. This was done two ways. The first was using a single unit of measure, in this case USD (see table 15), and then the log of this measure, and the second was to normalize the revenues in their local currency by country and using the log of this measure, (see table 15).

Third, local accounting standards or practices and the different levels of sophistication in the preparation and presentation of financial data. These differences ranged from fully audited to self-produced excel statements. Companies with in-house produced statements were asked for a second source of verification such as invoices, tax and bank statements to verify some of the data for reliability. These variances mean that net profits were not a comparable measure for all 132 enterprises in the study and was not utilised in the final analysis.

Fourth, the range of businesses fit roughly in 51 industries or sectors ranging from financial services to steel manufacturing. Due to the snowballing effect there was some minor concentration of industries, for example, education in Nigeria or financial in Colombia. However, no industry or sector represented more than 25% of the total in one country. Some industries or sectors found in one of the countries may not be present at in another, i.e., farming and food production in Nigeria and Romania but not in Colombia or Poland; finance firms in Colombia but in none of the other 3 countries. This diversity makes for sector or



industry comparisons if not impossible, of little value. However, the variance in performance that specificities within an industry brings with it, must be acknowledged.

### **5.6.2 Independent variables**

The definition and explanation of the variables used is explained in detail in chapters 3 and 4. For example, education was created using five questions in the questionnaire. Each one was a dummy variable based on completion of a certain degree, high/secondary school, (see appendix 4). The independent variables that were used for human capital were classified into three main groups. In the first group, questions looked at the entrepreneur's background and helped determine if he or she was a returnee or a non-returnee, this included education, experience and where this had been acquired. These questions included the years of experience and level of general education. The experience was measured up to point of the firm's incorporation. The second group of variables had questions relating to social affiliations and networks that were used to look at the entrepreneur's social capital and where this resided. Social capital was determined utilizing several variables that, by varying degrees, help capture the bonding and bridging, or strong ties/weak ties, dimensions and were grouped into two main areas: trust and value or relational reciprocity. The third group included questions that asked about political affiliations and networks.

### **5.6.3 Control variables**

The sample included both returnee and non-returnee entrepreneurs. Therefore, I included work and study location to capture if the individuals have lived outside the country or not. I also controlled for entrepreneur age, firm age, years since founding, firm size, and the total number of employees. Both industry and the variable, Start-up, if the enterprises had less than 3 years of operations, were used in one set of regressions. (See appendix 4). In order to investigate in more detail whether the different characteristics of returnee firms and local firms are associated with firm performance, the overall sample is divided into two sub-samples, returnee-owned enterprises and non-returnee entrepreneur-owned enterprises. The financial data was normalized and analysed, (see table 15). The data were analysed using Ordinary Least Squares modelling (OLS), this has been the most used method in social capital studies (Westlund & Adam, 2010). This is due to its minimal demands in terms of measurement scales, the residual distributions, the research objectives and the relatively small sample size (Hair et al., 2012; Unger et al., 2011).

### **5.7 Empirical results**

Based on the survey data, the average number of years that returnees stayed abroad was five. More than 83.3% of returnees had worked abroad for at least two years, the remainder had left their home country to pursue additional studies. The data also shows that returnee firms are more internationally oriented and 49% of returnee firms have some type of foreign operations, whereas only 17% of non-returnee firms have them (see table 12).

To test the hypotheses two regression models were used. First, to test Hypotheses 1, using the full sample of local firms in all four countries, the dummy variable returnee was created, and this reflected if the entrepreneur had worked or studied abroad for more than 12 months. The sample was divided into subgroups: returnee and non-returnee enterprises. Second, in order to measure the effect of the capitals on the performance of both returnee and non-returnee firms, hypotheses 2 through 4, the focus was on the whole sample of firms subdividing them into the two subgroups: returnees and non-returnees. For hypothesis 2, 3 and 4 the model used the same dependent variables and controls as before, plus measures of human social and political capital. The overall sample was estimated first, and then divided it into two sub-samples, returnee entrepreneurs and non-returnee entrepreneurs.

**Table 13:** Correlation matrix-human and social capital

		SC Interaction	SC Trust	SC Benefit	Political Capital	Education	Experience	THC
SC Interaction	Pearson Correlation	1						
SC Trust	Pearson Correlation	.056	1					
	Sig. (2-tailed)	.527						
SC Benefit	Pearson Correlation	.042	-.182*	1				
	Sig. (2-tailed)	.633	.037					
Political-Capital	Pearson Correlation	.036	-.062	.117	1			
	Sig. (2-tailed)	.681	.477	.182				
Education	Pearson Correlation	-.007	-.067	.039	-.065	1		
	Sig. (2-tailed)	.933	.447	.655	.460			
Experience	Pearson Correlation	.054	.244**	-.003	.199*	.139	1	
	Sig. (2-tailed)	.540	.005	.968	.022	.112		
THC	Pearson Correlation	.052	.231**	.001	.187*	.251**	.994**	1
	Sig. (2-tailed)	.556	.008	.990	.032	.004	0.00	

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Ave. Growth rev.

**Table 14:** Descriptive statistics and correlation matrix-returnees

	Mean	S.D	1	2	3	4	5	6	7	8	9	10	11
1 Gender	1.39	.489											
2 Age	46.56	11.127	.177 <sup>*</sup>										
3 Number employees	60.86	146.415	-.059	.296 <sup>**</sup>									
4 Returnees	.45	.499	.006	-.124	-.079								
5 Social Capital	4.5136	1.34339	.026	.078	-.060	.017							
6 Total Human Capital	5.3333	3.30779	.151	.499 <sup>**</sup>	.096	-.124	.231 <sup>**</sup>						
7 Political Capital	5.2803	2.25921	.088	.180 <sup>*</sup>	.131	-.085	-.062	.187 <sup>†</sup>					
8 PC x SC x HC	-.0245	1.09557	.061	.105	.021	.010	.248 <sup>**</sup>	-.015	.262 <sup>**</sup>				
9 PC x SC	-.0619	.95850	.003	.056	-.006	-.021	.018	-.026	.137	.002			
10 PC x HC	.1854	1.10930	.074	-.002	.154	-.085	-.022	.096	.191 <sup>*</sup>	.419 <sup>**</sup>	.281 <sup>**</sup>		
11 SC x HC	.2290	1.00726	.037	.236 <sup>**</sup>	.014	-.117	-.027	.273 <sup>**</sup>	-.025	.024	.296 <sup>**</sup>	-.053	
12 Average Growth Income	37.5754	107.69241	-.175 <sup>*</sup>	-.189 <sup>*</sup>	.220 <sup>*</sup>	.023	.041	-.173 <sup>†</sup>	.011	.143	-.111	-.001	-.050

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The correlation matrix and descriptive statistics are shown in table 14, while table 15 presents the regression results. The data presented here includes all 132 respondents to the survey. Correlations for both for the entirety of the sample (see table 13), and for the sample split between returnees and non-returnees were conducted. The addition of returnees to the correlation showed that in this model, all correlations were fairly low, and that variance inflation factors are well below the acceptable level of 10 (Neter et al., 1985). This indicates there were no serious problems with multicollinearity. In addition, and to deal with heteroscedasticity, OLS regressions using Huber–White’s robust standard error (Arellano, 1987) were employed.

**Table 15: Regression results-returnees**

		Average Income				Normalised Income			
		Model 1	Model 2	Model 3	model 4	Model 5	Model 6	Model 7	Model 8
Hypothesis 1	Versus non returnees	0.006*	0.072	0.017*	0.011*	0.000*	0.012**	0.806	0.09***
	Gender	0.526 (22.937)	0.518 (23.198)	0.496 (25.335)	0.139 (0.26)	0.305 (552.85)	0.301 (793.258)	0.712 (26.553)	0.030 (0.904)
	Age	0.177 (1.06)	0.365 (1.25)	0.460 (1.508)	0.162 (0.0155)	0.086 (32.925)	0.093 (564.758)	0.972 (1.684)	0.139 (0.26)
	Number employees	0.614 (0.132)	0.586 (0.136)	0.620 (0.15)	0.008* (0.001)	0.000 (3.29)	0.000 (249.779)	0.469 (0.153)	0.008** (32.949)
Hypothesis 3	Total Social Capital		0.273 (0.275)	0.368 (0.315)	0.725 (0.003)	0.217 (6.887)	0.357 (64.106)	0.318 (0.318)	0.724 (0.003)
Hypothesis 2	Total Human Capital		0.808 (4.539)	0.867 (5.07)	0.071 (0.052)	0.003* (110.633)	0.001** (3943.528)	0.653 (5.316)	0.071 (0.052)
Hypothesis 4	Total Political Capital		0.493 (6.669)	0.595 (7.386)	0.415 (0.076)	0.067 (161.177)	0.861 (283.205)	0.675 (7.395)	0.415 (0.076)
Hypothesis 7	PC x SC			0.959 (19.474)	0.040* (0.2)	0.997 (424.961)	0.049* (3568.138)	0.938 (19.833)	0.040 (0.2)
Hypothesis 6	PC x HC			0.051 (32.168)	-0.332 (0.3312)	-0.006 (701.945)	-0.223 (134.777)	-0.015 (32.952)	-0.332 (0.331)
Hypothesis 5	HC x SC			0.764 (15.739)	0.231 (0.162)	0.194 (343.455)	0.364 (-372.22)	0.469 (16.401)	0.974 (0.162)

\* \*\* \*\*\*Significant at 5% , 10% and 1% respectively

To test hypothesis 1, the two-way interactions between returnees and performance were separated. For hypothesis 2, 3 and 4, models 1, 2, 3 and 4 include separate two-way interactions between returnees and performance: human, social and political capital. Model 1 includes the control variables and returnee enterprise performance. These results are statistically significant when comparing returnee to non-returnee enterprises, thus supporting hypothesis 1. Model 2 introduces the three capitals. The effects of each of these capital indices are not statistically insignificant. Although these results contradict some studies for developed and transitional economies, they tend to indicate that capitals individually do not help explain the difference of

performance of both groups, hypothesis 2, 3, and 4 are rejected. Model 3 looks at the interactions between the capitals.

None of the capital variables, human, social or political, were statistically significant for returnees, this indicated that the interaction of the three capitals is more a factor for non-returnee enterprise performance. This tends to indicate that erosion of capitals, at least in the home country, may be an issue the data did not capture. Models 4-8 incorporated a normalized dependent variable and the log of the normalised revenue variable. None of the variables were of statistical significance in showing the interaction effects of the capital variable. Model 5 and 6 did show some statistical significance for human capital. Models 3, 4, 6 and 7 suggest that social and political capitals are substitutes for returnees while human and social capital are substitutes and human and political capital are complements. Model 7 incorporated two null variables industry and any start-up, defined as an enterprise that was less than 3 years old, neither was statistically significant.

Hypothesis 1 suggests that enterprise performance of firms is directly affected by if the entrepreneur(s) that started the firm have lived abroad. Thus, I make a direct link between residing abroad and starting the enterprise. The effects of being a returnee on enterprise performance may be affected by both networks and knowledge acquisition. As mentioned earlier in this chapter, control variables included firm size, firm age and percent of ownership, which are standard features of the literature (Liu, X. et al., 2010). These effects were further looked at by including gender and age and were not found generally to be statistically significant for returnees. Thus hypothesis 1 is accepted. The

very act of having left a developing nation, lived in a foreign nation and returned to the home country before starting an enterprise is statistically significant in positively affecting enterprise performance in developing nations. These results both validate and expand on past single country studies that have linked returnees and positive enterprise performance (Liu, X. et al., 2010), see table 2, while at the same time partially validating other studies that have shown that returnees have a propensity to start an enterprise upon returning home (Wahba & Zenou, 2012).

This study did not explore the choices made by returnees upon returning to their home country and thus this inference is anecdotal and comes from comments made during the interviews. One returnee addressed the issue of re-incorporation into economic life this way: 'in Nigeria everything involves connections and politics. I was ok in my home state, I never lost touch completely, but you know...people forget you or are not as close, so it cost you much more to get in... after I came back from the USA, it was very difficult to find a job in my home town so I came to Abuja, I decided to incorporate a company here and start working for myself, when I started my business I had to spend a lot of time and money knowing who, other importers helped sometimes but most of them have more time than me....but I know people overseas, so I also had an advantage....It worked well. ' (NI22).

The study also seeks to better understand why returnee's enterprise performance is positively impacted by the entrepreneur's time abroad. The model used is based on the model developed by McCormick & Wahba (2003), which considers the relative significance of duration abroad and savings,

alongside a series of personal characteristics (Black & Castaldo, 2009). It should be noted that the McCormick & Wahba (2003) study involves a much larger dataset. The model in this study considers the time spent abroad and controls for work experience and work experience (see table 11), obtained abroad, and instead of looking at savings, I used indicators of social and political capital such as foreign networks, membership of associations, party affiliations, trust, and network benefits.

The study looks at the three capitals: human, social and political, as a way to explain differences in enterprise performance between the two groups: returnee and non-returnees. The capital variables were looked at both independently and paired: human capital and social capital, social capital and political capital and human capital and political capital (see figure 3). Individual components of human and social capital were looked at separately: education, experience as part of THC interaction. Trust, interaction and benefit as part of social capital respectively, a simple model was constructed in which it was assumed that the time spent overseas influences whether the returnee enterprise is more successful than that of a non-returnee because the longer an individual spends overseas, the greater the relevant work experience and opportunity for skill acquisition, and additional network building.

Using as a base McCormick & Wahba's (2003) model, it was assumed that the pay-off from becoming a successful returnee entrepreneur is an unobserved variable  $y$ , where  $x$  are the individual and market control variables



and C1 is human capital, C2 social capital and C3 is political capital, and  $\mu$  is normally distributed error term with mean zero and variance one.

$$y = \beta x * C1 * C2 + \mu$$

$$y = \beta x * C2 * C3 + \mu$$

$$y = \beta x * C3 * C1 + \mu$$

The human capital index interacting education and experience was not found to be statically significant. Social capital: trust, benefits and interaction were grouped as an index, (see tables 13, 14 and 15), and it was found to be statistically insignificant for either sub-group. As discussed earlier the dependant variable was normalized in 2 ways: first by country in local currency (see table 15), and second, as a group using US dollars and the log of these. These normalized regressions showed some variations. For example, number of employees was statistically significant.

The results mirror other studies that show that human capital has a positive influence on enterprise performance but inverse and negative in others, such as Sanders & Nee's (1996) study, that showed that lower levels of education among immigrant groups led to better enterprise creating and performance. Unger et al. (2011) found a significant but small relationship between human capital and success. They also found that the relationship was higher for outcomes of human capital investments such as knowledge and skills, than that for human capital investments in education and/or years of experience. Davidsson & Honig's (2003) study also concluded that the results support human capital in predicting successful start-ups, but only weakly for carrying the start-up process towards successful completion (see table 2).

However, the negative relationship between human capital and enterprise performance found in this study, should be regarded with some caution, as the samples in the four countries were independently selected, meaning that there is a possibility of sample bias. Partly in response to this, the model was re-estimated separately for each country to differentiate any impact between the four countries (see table 16.2). An additional model was run in which each of the components of social capital (see table 15) and human capital was analysed separately (see table 15).

Social capital indices have been described in detail in chapter 4. The 4 components of social capital are help, interaction, trust and benefits. These were found to be not statistically significant for the sample as a whole for enterprise performance (see table 16.1). When further attempting to understand returnee versus non-returnee enterprise performance differences, the disaggregated social capital was looked at and again none of the four were statistically significant with regards to returnee enterprise performance. These results reinforce the rejection of capital theory to help us explain the difference in returnee versus non-returnee enterprise performance. This desegregated capital data analysis was also done looking at returnees by country (see table 16.2). At this level it can be observed that trust is statistically significant in Poland, while experience and education is statistically significant in Romania. However, these results may be due to small country sample size bias and should be considered for future studies in one or several of the selected countries. It should be noted that the study did not look at enterprise performance on a per country basis.

**Table 16.1: Returnees and social capital-disaggregated**

Returnees		Average Growth Rev	SC Help	SC Interaction	SC Trust	SC Benefit
Average Growth Rev		1.000				
SC Help	Pearson Correlation	.066	1.000			
	Sig (1-tailed)	.226				
SC Interaction	Pearson Correlation	.082	-.119	1.000		
	Sig (1-tailed)	.175	.087			
SC Trust	Pearson Correlation	.041	.156	.056	1.000	
	Sig (1-tailed)	.319	.037	.263		
SC Benefit	Pearson Correlation	-.094	-.796	.042	-.182	1.000
	Sig (1-tailed)	.141	.000	.317	.018	

**Table 16.2: Returnees-capitals by country**

		Std. Error	Sig.
Returnees	Colombia (Constant)	211.738	.585
	Education	27.910	.546
	Experience	2.265	.854
	Political Capital	6.346	.571
	SC Trust	23.331	.637
	Age	.850	.853
	Gender	14.773	.392
Romania	(Constant)	210.797	.361
	Education	43.666	.009
	Experience	10.430	.195
	Political Capital	15.420	.587
	SC Trust	20.146	.407
	Age	5.489	.240
	Gender	66.833	.788
Poland	(Constant)	54.425	.002
	Education	7.316	.930
	Experience	1.264	.041
	Political Capital	4.020	.069
	SC Trust	6.078	.003
	Age	.572	.000
	Gender	11.929	.002
Nigeria	(Constant)	611.439	.830
	Education	116.306	.865
	Experience	33.160	.779
	Political Capital	52.542	.377
	SC Trust	38.494	.514
	Age	7.616	.698
	Gender	153.252	.888

a. Dependent Variable: LOGAVGUSDREV

**Table 17:** Returnees-social capital-components

		Coefficients		
		B	Std. Error	Sig.
Returnees	(Constant)	-6.524	149.654	.965
	SC Help	-4.886	20.523	.813
	SC Interaction	10.467	13.318	.435
	SC Trust	5.479	8.813	.537
	SC Benefit	8.439	29.178	.774

a. Dependent Variable: Average Growth Rev

It should be noted that during the survey follow-up data verification and interviews conducted with the entrepreneurs, many of the respondents were keen to highlight how their educational experiences had led to intricate networks which had and still provided valuable business development tools. The value of experience and education was summarised by an entrepreneur when she claimed that her education at an American university and living both in Europe and Asia as a door opener to her career (IC35). Social capital derived from these networks and broken down into four components: Trust, interactions, help and benefits was looked at for returnees (see table 17), but none were significant enough to help explain the differences in performance between both groups.

Looking at the two subgroups it can be observed that the capitals are not part of the explanation why returnee enterprises in general perform better than those of non-returnees. Human capital is not statistically significant for returnee enterprise positive performance, thus hypothesis 2 is rejected. Social capital is not statistically significant for returnee enterprise positive performance, and political capital is not statistically significant for returnee

enterprise performance either, with regards to returnee enterprise positive performance, hypothesis 2, 3 and 4 are rejected.

The Interaction of the three capitals was found to be not statistically significant for returnee enterprise's positive performance. The rejection of hypothesis 2, 3 and 4 leads us to reject the capital theory. As described in chapter 2, it was proposed that the combination and use of capital within the entrepreneur would help explain the differences in enterprise performance between returnees and non-returnees. This study has demonstrated that within and emerging nation's context, none of the capitals aggregated or disaggregated help explain the difference in performance between the two groups of entrepreneurs, thus we can reject capital theory as a way to explain these differences. In addition, the results of the disaggregated social capital give additional grounds to reject capital theory in this study.

This study did find that for returnee entrepreneurs' human capital is a substitute for social capital in enhancing enterprise performance, hypothesis 5 is accepted. Human capital is a substitute for political capital in enhancing enterprise performance, hypothesis 6 is rejected. Social capital and political capital are complements in enhancing enterprise performance (see table 15), hypothesis 7 is accepted. These results add the returnee dimension to a study of entrepreneurs in Vietnam that found that human capital is a substitute for human capital and enterprise performance when human capital is defined as experience rather than education (Santarelli & Tran, 2013). It also adds to Boxman et al.'s (1991) study that looked at the relationship between human

and social capital which found that human capital influences lower levels of social capital but not at the highest levels.

The substitutability and complementarity between capitals was also observed during the follow-up interviews. Earlier in this chapter the value of tie-in with previous employers has been mentioned. These tie-in with previous employers shows the sometimes subtle but significant links between human capital, as in this case, experience, and social capital. This has also been confirmed in a few studies that looked at the value of industry ties prior to a start-up (Pruthi, 2014). There are other links that have been clearly identified in past research. A recent paper looked at a university alumni association and its importance for start-ups in India (Qin & Estrin, 2015). Previous studies have also identified the relationship between educational based networks and new venture creation (Robison et al., 2002).

These types of links also appeared to be important to many of the respondents. Some of them had decided to attend postgraduate school, usually MBAs, to further develop contacts and establish networks among the higher echelons of the local business circles. Local universities were selected by entrepreneurs based on their prestige factor since it allowed him to meet with senior business people affiliated to that particular university and establish relationships with the up-and-comers, both have become invaluable networks for this individual (IC35). This shows some of the issues with looking at only one capital or one dimension within a capital rather than the interaction it has within the individual. In the respondents answer, mentioned above, it's difficult to decide if the entrepreneur found the greatest value from having completed

the MBA or it was the network building, but it tends to be implicit in the major value comes from the networks developed.

These results are important since they challenge previous studies that highlight the importance of human capital, and specially education, for returnees. This study does not show that education as a component of human capital was positively associate with returnee enterprise performance. This result may reflect the overall high level of education among the respondents, and particularly among returnees. Education and experience were seen as network builders that were used by the entrepreneurs. This could be since higher levels of education or experience usually result in these individuals commanding higher wages, and thus become entrepreneurs later in life, and being part of more mature industries. It may also reflect a measure or risk. However, neither measures were used in this study (see appendix 5). The results may also benefit future research that explores the impact of returnees and enterprise success across multiple geographies.

The model did not look at, nor compare between failed entrepreneurs and successful ones. Thus, success bias is acknowledged since all the enterprises in the sample had been in operation at least 2 years and had been selected because they were operating at the time of the survey. To minimize this bias, all enterprises were contacted prior to completion of the study and all were still operating as independent enterprises. Due in part to the sample size, this study did not attempt to compare the ratio of women versus men nor the age of successful returnee enterprises versus those that were not.

## 5.8 Conclusion

The role of migration, returnees and enterprise creation is a topic of increased interest among IB researchers (Drori et al., 2009). This is especially true in emerging market contexts. This chapter, explored theoretically and empirically some of the determinants of returnee entrepreneurship using a unique dataset of entrepreneurs in four countries: Colombia, Poland, Romania and Nigeria. The selection of these countries was done using a combination of economic, social and entrepreneurial factors in order to select nations that represent the conditions and environments seen in most developing nations around the world. This study is the first of its kind to systematically examine the role of human, social and political capital factors in attempting to understand the difference in performance of returnee started enterprises when compared with non-returnee enterprises.

The prevalent approach to returnee entrepreneurship has tended to focus on the rise of entrepreneurial opportunities in: a) fast-growing BRICS countries such as China and India (Bai et al., 2017; Qin & Estrin, 2015); b) looking at returnees' accumulation of a particular capital or resource and/or ability to leverage the skills and resources they accumulated abroad to take advantage of, or reshape, such opportunities (Qin & Estrin, 2015). However, very little attention has been devoted to trying to explore if the act of leaving the home country and returning has value for enterprises, and if so, what helps to explain these differences.



This study attempted to look at human, social and political capitals, as part of the explanation, either individually or combined, if and, how the accumulation of these capitals within the individual impacts or not the enterprise after its creation. Although none of the three capitals were significant in themselves in explaining the difference in performance between returnee and non-returnee started enterprises, entrepreneur comments during the follow-up data verification interviews help to understand the value individuals place on one or another capital in their country or within an industry.

The complex relationship between the entrepreneur's and their environments forms a mix of some or all the dimensions mentioned above and the physical location they choose to be part of. In some countries like Nigeria, it may have meant moving to a city like Abuja or Lagos and keeping strong links to the region they came from, while at the same time searching for and establishing themselves among ethnic groups in their new home. One respondent (IN2), addresses this issue by claiming that in his country, Nigeria, most activities involve the use of connections and politics in some measure. This individual goes on to state that he had the right connections in his home state, and he has worked hard to maintain these connections since if you are out of touch people forget you and it costs so much more to get back in.

In other countries like Colombia, this complex relationship may have also had social class components that are mixed with regional ethnic, or geographical affiliations, even down the part of the city they live in or the schools they attended. This may influence, sometimes to a great degree, their lifelong social networks. Access to these circles varied by country. In

Colombia, for example, one entrepreneur (IC35) linked access based on several aspects. She claimed she spent approximately 30% of her time developing relationships and that joining certain venues, golf clubs in her case, was crucial in building the right relationships, even considering the fact that she did not play golf. A second participant in the survey (IC3), echoed this sentiment by explaining how even though he did his undergraduate abroad he made a concerted effort to stay in close contact not with his high school and neighbourhood friends, and those from his family's country club by playing golf whenever he was in country.

The examples above, help both to illustrate the difficulty in separating each component of social capital but also how the issues around aggregation and measurement. Most of the respondents placed a lot of value on the types of relationships and networks they were involved in. When asked to select the types of groups or association that provided the most benefits to their enterprise industry groups and associations were the two top choices (see appendix 7). Some were reluctant to assign direct value to these networks while others did so explicitly. One respondent clearly linked connections and politics with the aim to extract future benefits from these interactions. Some of those interviewed had a keen understanding of the nuances and difficulties of managing and using political capital. One of the entrepreneurs from Poland explained it by comparing relationship building and use in Poland and the Ukraine. He maintained that in the Ukraine it is necessary to manage the go-betweens that every transaction required and that the involvement of government officials are a necessary ingredient in getting anything done, while in Poland this is not necessarily the case.

The individual decisions made by entrepreneurs on how to manage or utilize their political capital, or lack thereof, for the benefit of their enterprises can take completely opposite perspectives. On one side, there is a clear motivation to extract value from the access to political institutions. An enterprise owner in Nigeria (IN2), explained how to get items in and out of the country by assessing the tax implications and making a gift to the appropriate official before the event took place in order to avoid anyone asking him for money. This system of gifts was widespread and according to the entrepreneur ranges to between 5 or 10% of the value of the favours granted. The need by entrepreneurs to bribe officials was echoed in varying degrees, by respondents in all four countries that derived revenues from government contracts.

On the opposite side, some returnees have gone to great lengths to avoid doing business with government institutions. A respondent (IC42), after admitting having family members involved in politics and belonging to the current government, summed up his position by emphatically delinking his personal connection and business from directly securing government contracts and instead uses his contacts to secure sub-contracting work and eliminate the need for direct bribes.

The majority of the entrepreneur's that answered the survey had some direct connection to political figures and utilized these directly or by proxy and had used some form of corruption to access and secure services or contracts when needed. The idea of political capital by association was particularly strong in Colombia where respondents did not participate directly in politics but used the direct participation by family members when needed.

This mix of social networks and political capital is a complex one for most entrepreneurs and in some cases the contrast between returnees and non-returnees is severe. This was especially true for returnees where doing 'business as usual' in their home country was no longer acceptable for them after their return. For returnees, the idea of 'getting your hands dirty' after living in countries with low perceived corruption, was unacceptable, one partner in a local venture (IC24) admitted to preferring to lose private and government work if any sort of pay-outs were required.

This was in contrast with most non-returnees who, in general, viewed use of political capital and forms of corruption as the way to do business in their home country and openly declared that paying bribes for government contracts was just business as usual and involved monthly payments to city officials (IR33). Regardless of the individual perspectives, returnees in all countries had found ways to adapt and develop their enterprises successfully.

The results show that cross-border human mobility is statistically significantly associated with their enterprise performance. This study finds that human mobility is an important source of entrepreneurial talent for nations with high emigration. This study hypothesized and demonstrated that returnee enterprises do somehow utilize and benefit from their founders having been overseas. What it has not been demonstrated is that any of the capitals individually or their interactions can explain this difference.

This chapter also highlighted that even if local differences may result in some capitals having more relative significance, in general the importance or lack thereof, of a particular capital in measuring enterprise performance is

similar across all countries studied. This study has addressed one of the topics discussed in the first section, that of erosion. The results tend to indicate that returnees are not penalized for having left the country and that any erosion to their social or political capitals at home are compensated by those acquired in their host country.

As discussed earlier in this chapter, capital theory does not help us explain the difference between returnee and non-returnee's enterprise performance. However, this does leave open the possibility that capital theory may serve as the theoretical background when looking at returnee enterprise performance and utilising different forms of capitals. It could also indicate that in the future studies involving returnees' enterprises in multiple locations might be better served by looking at a single capital and its underpinning theory.

Although the results indicate that returnees may overcome any erosion of networks by complementing or substituting their personal capitals: human, social, and political. Erosion does seem to be a factor for some of the entrepreneurs. A few of the respondents that identified erosion as a significant issue if you are a returnee. One respondent had joined a local company after his return to Poland instead of starting his enterprise right away in order to re-connect because he felt people change, move or tend to forget you (IP1).

The value of an education and/or work experience abroad was also highlighted by many returnees and were seen a positive even after acknowledging the effects of erosion. The value of overseas experience was described by a Colombian returnee as having been critical in re-establishing herself back home once she returned from Korea (IC31).

### **5.8.1 Contributions and discussion**

The contributions of this chapter two-fold: the first contribution, has been to explore if being a returnee adds value to the enterprise these entrepreneurs have started once returning to their home country within a developing nation context. The second has been to examine capital theory and explore if any additional capital accumulated by returnees while outside their home country helps explain the difference in performance of their enterprises. The study has demonstrated that the act of leaving the country adds to the value that the entrepreneur brings to his or her enterprise and enhances enterprise performance.

The emerging market multi-country nature of this research and its findings has policy implications for most nations with a large diaspora. The main finding is that in emerging markets, returnees bring with them capabilities that are reflected in their enterprise performance. A Nigerian returnee entrepreneur (IN2), was clear in his evaluation of the value that his overseas network gave him as they knew him and trusted him, in addition to the ideas and contacts he had obtained while being in the UK and USA. This allowed his business to flourish in the early days as his overseas network as his supplier gave him credit and his customers pre-paid him, a rare occurrence since Nigerian businesses are not well regarded internationally. In showing that this difference does exist across multiple geographies, the evidence points to the importance of looking beyond single capitals and exploring different constructs to better understand what lies behind these differences.

One possible explanation which was not tested in this study is that returnees find opportunities within the existing economic conditions, and/or specific policies that support returnees and their attempts to start an enterprise. Countries may be well served to support and encourage entrepreneurs by creating means from which these individuals may tap into existing formal and informal networks that they have ceased to belong or never have belonged to in the first place; such as Romania has done by making network embedment, utilising both academic and business circles to manage and support the program, a central objective in their EU funded returnee and enterprise start-up program (EACEA, 2018). The Romanian example has followed initiatives in Taiwan and China which have set up specific economic zones to encourage and support enterprise creation by returnees, this study demonstrates that countries may need to use similar measures to benefit from their returnee populations. This research also aims to assist in the understanding of how returnees complement or substitute their capitals and that policy makers in developing nations may be well served in finding ways these interactions can be created or enhanced. The value of networks, in securing sales leads, for example, was seen as one of the direct benefits of connections and network affiliation with most respondents recognising which network (s) provided the most value to their enterprises (see appendix 6).

A second reason that might help explain the difference in performance between returnees and non-returnees, is that many returnees had utilised the industry connections to supply former employees. This relates to the combination of experience and the business networks this develops. Entrepreneur experience and their ties to former employers was also looked at

in this study. Individuals with many years of work experience (see table 11), tended to stay in areas they know well, which usually were in more mature industries with lower levels of growth. Several returnee participants in the study clearly indicated that their foreign networks and especially former employers became their main customers since they knew the required standards and there was a strong degree of trust already in place. The perceived value of these overseas networks by returnees may also help explain why returnees' enterprises as a group had a much higher number of operations abroad than non-returnees. This in turn may also start to help us understand the difference in performance between both groups.

The length of experience does appear to have a positive relationship with initial enterprise formation and survival, an area that was not covered in the survey. Some of the returnee entrepreneurs in the study had started their new ventures with the expressed aim to supply their former employers and in a couple of cases, encouraged and partially funded by these same former employers (IC8, IR21). Of the 132 respondents in the four countries, 46% had a formal business relationship with a former employer, while 53% of returnees did business with their former employees versus 40% of non-returnees, (see table 18). Although the question was not directly asked, it can be assumed that returnees and the relationship with former employees was also a factor in setting up operations abroad.



**Table 18:** Entrepreneurs doing business with a former employer

<b>Revenues former employer</b>	<b>Total sample</b>	<b>%</b>	<b>Returnees</b>	<b>Non- returnees</b>
No	71	54%	47%	60%
Yes	61	46%	53%	40%
Total	132	100%	100%	100%

The results discussed in this chapter contribute to the research literature on emerging market of returnee versus non-returnee enterprise performance and the roles that of human social and political capitals may or may not have in understanding differences in performance between the two groups of entrepreneurs' enterprises. To date this is the first study that has measured emerging market returnees and the interaction of these three capitals: human, social and political. This chapter may contribute to the literature on emigration, returnees and enterprise performance by its suggestive findings that interactions between human, social and political capital do not necessarily explain the value that living overseas and returning has on the performance of an enterprise. In addition, this is one of the first studies that has examined returnee entrepreneurship performance when compared with non-returnees within a multiple emerging economy scenario, therefore, there may also be a contribution to the entrepreneurship and IB research literature on emerging economies.

This chapter also contributes to the understanding of the interaction of capitals for returnee entrepreneurs and the complementarity or substitutability

of the capitals for returnee entrepreneurs. The complementarity or substitutability of capitals for returnees may be because of erosion, which is not explored or measured in this study and is an area that will require additional exploration. This study also contributes to the literature by using capital theory to help explore the difference in performance between returnee and non-returnees.

### **5.8.2 Limitations and future research**

There are also some limitations that need to be acknowledge in this chapter. First, it is not a large sample, and it measures only whether returnees established a successful business, and not why it has been successful, or if and how, others failed. Second, it does not explore whether these effects have had a wider economic impact in the four countries. However, such limitations are not exclusive to this study. It has been recognized in other migration studies securing a representative sample from surveys is problematic in the absence of a clear sample frame. In return migration where there are often fewer attempts to monitor the process of return; such problems are compounded. (Black & Castaldo, 2009.).

It has been pointed out in this chapter that industry differences may also have a significant effect on how the capitals are gathered and used. It is possible that the type of enterprise that the entrepreneur creates can subsequently shape his/her attitudes and embeddedness in the home country. Similarly, it is possible that embeddedness or attitude may determine the type of enterprise (Jack & Anderson, 2002; Kloosterman et al., 1999), but once

started, the enterprise can influence both these factors. The potential for endogeneity issues cannot be ruled out because of the possibility of reverse causality. The design of the overall study is cross-sectional and hence it is subject to the inherent limitations of cross-sectional studies. A longitudinal investigation would also present opportunities to identify patterns because of contextual changes or changes in the composition of personal networks and enterprise performance.

One of the contributions of this study is to examine the differences in enterprise performance by interacting more than one capital. Although the value of these interactions was not demonstrated for returnees within a developing nation framework, it does open doors to further research which would look closer at different capitals and/or by specifically taking into account the effects of erosion, and how this affects entrepreneurs in different geographical locations while also considering the effects that economic development may have on both the interactions and erosion of capitals.

## Chapter 6

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### Conclusions and contributions

The purpose of this research was to look at and better understand the difference in enterprise performance in developing and emerging market nations, as defined in by the Financial Times Stock Exchange (FTSE) Russell (FTSE Emerging All Cap), United Nations and World Bank classifications. The study looked at 132 enterprises located in Colombia, Nigeria, Poland, and Romania. Enterprise performance has been looked at in previous IB studies, with many different lenses and perspectives. This study specifically took the approach of focusing on the entrepreneur and if living, studying or working outside the entrepreneur's home country influenced their enterprise's performance compared to those that had never left their homelands. This approach is not in itself unique since there have been other studies that have looked at returnees; however, most of these have looked at either enterprise formation, the types of enterprises or have picked a single location for their work. This research has looked at and analysed how being a returnee impacts enterprise performance as compared to non-returnees within an emerging markets context. It has also tried to understand the underlying mechanism of why this occurs by looking at returnee entrepreneur's human, social and political capital.

This study looked at the difference in performance between returnee and non-returnee entrepreneurs in four developing nations in different geographical locations. In addition, the research looked at how each of the selected capitals: human, social and political may help explain the differences

in performance of returnee and non-returnee enterprises. Chapter 5 analysed the survey results and compared returnees and non-returnees enterprise performance. It also explored if, and which, of the capitals may help explain any differences between the two groups and if these capitals are substitutes or complements. The results of the study show that being a returnee is positively associated with enterprise performance. The study also contributes to theory by exploring capital theory as a way to explain and understand the differences between returnee and non-returnees. At the same time, it found that none of the three capitals help explain the difference in performance between the two groups of enterprises. However, capital theory may be of value in future research that looks at other capitals, or different combinations of capitals as explanatory variables if similar research in the future.

## **6.1 Empirical results**

In chapter 5 the data is reviewed and analysed. The sample was split into two groups: Returnees and non-returnees and looks on how these groupings affect enterprise performance. These differences are also looked at when using the three capitals: human, social and political, as a lens to try to understand the difference between the two groups. In this chapter seven hypothesis were proposed: hypothesis 1: being a returnee entrepreneur is positively associated with enterprise performance; hypothesis 2: human capital is positively associated with returnee enterprise performance; hypothesis 3: Social capital is positively associated with returnee enterprise performance; hypothesis 4: political capital is positively associated with returnee enterprise performance; hypothesis 5: for returnees, human capital

and social capital substitute each other in enhancing enterprise performance; hypothesis 6: for returnees, human capital and political capital substitute each other in enhancing enterprise performance; hypothesis 7: for returnees, social capital and political capital complement each other in enhancing enterprise performance.

The results were of interest since it showed that being a returnee was statistically significant in enterprise performance. In addition, when looking at some of the explanatory variables, it showed mixed results: age and number of employees were found to be statistically significant but negative for returnees when measuring enterprise performance. Neither human, social nor political capital was found to be statistically significant for either group.

When the sample was split into the returnee/non-returnee sub-groups, human capital was found not to be statistically significant as an interaction. However, when the dependent variables were normalized some in some of the countries either component of human capital, education, experience or both, were found to be statistically significant (see table 16.1). Social capital was not found to be statistically significant either as an interaction of value and trust or trust on its own as a proxy. Political capital was not statistically significant for returnee enterprises. The interaction of the capitals was not statistically significant for returnee enterprises.

## **6.2 Contributions**

One of the issues that has been discussed in the study of entrepreneurship is the lack of theory development. The increase in scholarly work involving entrepreneurship has grown significantly in the past 25 years becoming one of the most widely cited topics in management (Bruton et al., 2008). Yet, the discussion of definitions is one that in the past has involved much debate. This debate has included both the individual and the unit that the individual is involved in, i.e., the enterprise. The entrepreneur has been described as someone who identifies gaps in the market, innovates and combines resources in order to create new business opportunities (Amit et al., 1993). Other definitions are simpler and focus on the entity, such as, creating a new enterprise (Low & MacMillan, 1988).

The discussion has been important since most researchers in this area have tried to either identify or explain the entrepreneur. In attempting to better understand the entrepreneur researchers have further looked at definitions in order to assist them understanding the concept. areas such as low levels of uncertainty aversion (Amit et al., 1993), risk (Iyigun & Owen, 1998), and exploring personal characteristics that not only include the entrepreneurs' education and cultural, background but also may include things such as managerial and organizational skills, ability to lead, creativity, adaptiveness, to be able to create a vision and make the necessary decisions in order to implement it even within fast changing environments, have and have a range of cognitive decision making biases, integrity and technical know-how among others (Amit et al., 1993).

The list of entrepreneurial personal characteristics gets longer as other studies have added social capital and the ability to develop and exploit networks as their way to explain entrepreneurial creation and success. Foss & Klein (2002) talk about the entrepreneur as having three functions: ownership of resources (capital), decision-making, and uncertainty bearing. Observing these is not easy since much of the characteristics or behaviours may be difficult to predict and can only be seen ex post. This makes it difficult to distinguish between low ability, lack of motivation, or just bad luck, for example (Amit et al., 1993).

The development of a theory of entrepreneurship, has been, and remains a challenge. The theoretical list used is long. Some researchers have tried to categorize these attempts broadly into the following: first, explanatory theories when looking at entrepreneurial behaviour and performance; second, social/cultural theory: the entrepreneur and the cultural context; third, predictive theories, looking at conditions allows the researcher to predict the outcome of an enterprise; fourth, normative theories, such as, guidance for practice; fifth, using personality based theory, i.e., the psychological characteristics of the entrepreneur; sixth, network theory and the social links which facilitate and constrain entrepreneurs; seventh, institutional theory, looking at local culture; eighth, resource based theory when studying enterprise performance; ninth, finance based theories, the supply of capital to new ventures, for example; and tenth, economic theories and equilibrium analysis and the nature of innovation and new production processes (Low & MacMillan, 1988; Amit et al., 1993; Bruton et al., 2008). The above list is not



comprehensive and is used to illustrate both the complexity and challenges faced by entrepreneurship researchers and theorists.

This research contributes to the research literature on social capital networks and capital theory. It helps explore the idea that returnees add or 'top-up' their human, social and political capitals overseas and utilize their experience overseas to compensate with any capital loss, erosion, and that the additional capital accumulation may help explain the difference between returnee and non-returnee enterprise performance. Although capital theory in this study did not help explain the differences between returnee and non-returnee enterprise performance, it does allow for future research to build upon these results and look at other capitals as explanatory variables for the differences in performance between returnee and non-returnee enterprises.

This complexity is been due in part because the study of entrepreneurship covered a wide range of fields including, international business, decision sciences, economics, management, sociology and psychology (Amit et al., 1993; Bruton et al., 2008). The use of capital theory has helped this research by getting around the doughnut issues in which each area, i. e. social, human capital, entrepreneurship, etc. has its own relevant theories that make it difficult to find a unifying one. Capital theory allows for each component to be looked at from the point of view to the overall contribution and the value of each component to the enterprise and its performance.

My contribution lies in looking at the impact of the individual, in this case the entrepreneur and his/her enterprise performance by exploring how leaving

their home nations adds value to enterprise performance, vis-à-vis, those entrepreneurs who never leave their home nation. The main argument throughout this research, has been that the returnee utilises this foreign experience to add value and that this value is then transferred to the enterprise and is reflected in the enterprises' performance. This could take the form of new networks, relationships with former employers, idea generation and operational execution. None of these is exclusive to the returnee, however, the experiences and networks developed overseas may bring differences, that although were not measured, may be key on explain the difference in performance versus non-returnee started enterprises. In addition, the contribution to theory also lies in exploring and trying to better understand the value of the interaction of the capitals within the returnee.

Many studies have tended to focus on looking at entrepreneurial activity in developed nations, and while the interest in enterprise studies that focuses on developing nations has been minimal in the past, there has been a recent growth in studies in China and India, while Africa, Latin America, former Eastern Europe and parts of Asia remain underrepresented in the literature (Bruton et al., 2008). Returnee and migration research have also tried to find its place within the entrepreneurship literature and in turn expanded its horizons by looking at areas such as transnationalism (Riddle et al., 2010), and ethnic entrepreneurship in order to expand the boundaries of both IB, international entrepreneurship and entrepreneurship in general (Drori et al. 2009). This study contributes to the understanding of the role that returnees may play in emerging nations' attempts to create and support an entrepreneurial base and culture, while at the same time helps then better

understand some of the areas in which policy may assist in attracting and supporting their nationals to return to their home nations.

Past research involving returnee have also drawn from mainly human and social capital theory but also included others such as technological and financial capital as variables in their work (Wright et al., 2008; Filatotchev et al., 2009; Davidsson & Honig, 2003). This research make several empirical contributions to the research literature on returnee entrepreneurship. The results of this study contribute to the research literature on emerging market entrepreneurship, as well as, migration and returnee enterprise performance. To date this is the first study that has measured returnee's versus non-returnee enterprise performance in multiple emerging markets within three continents. The overall contribution to the literature on international entrepreneurship is the following:

First, it looks at returnees and explores the effects of migrating and returning and its impact on their enterprise performance; second, it finds that the difference in performance by returnee entrepreneurs cannot be explained by looking at human, social nor political capitals; third, that the capitals may act as complements or substitutes between each; fourth, it contributes to theory by utilising capital theory as a way to explain the difference in performance between returnee and non-returnee enterprise performance within a developing nations context; fifth, since capital theory does not appear to explain the differential in performance between the two groups of returnees which are empirically robust, it allows for the exploration other related possibilities that the difference in performance between the two groups of

entrepreneurs may be better explained by looking at other factors such as: a) government programs that support and encourage returnees; b) returnees may use parts of their network base, such as former employers, to support enterprise development and growth and thus face less risk when starting their enterprise by securing a steady income stream that not only insures initial success, but also may provide higher long term revenues.

### **6.3 Policy Implications and discussion**

Leaving one's home country and returning to start an enterprise appears to be a good investment by increasing the performance of the enterprise versus having stayed in the country. For those that have left the country and plan to return the interaction of both external and internal networks should allow them to overcome issues such as capital erosion. It is also clear that focusing on a single capital as value added, may not be enough to assure enterprise performance. One of the areas that was found to offer greater opportunity is the nature of the capitals and their substitutability or complementarity. Entrepreneurs can benefit from understanding how each of the capitals interact with each other and that the interaction of these adds value to the entrepreneurial process.

This study has policy implications to nations which are actively seeking attract their diaspora back and retain them. Many of the studies cited in this research have focused on enterprise formation but not on enterprise growth. The retention of a returnee entrepreneur may hinge on their enterprise being able not only overcome the initial hurdles of the start-up period but be able to utilize and grow their personal capitals both inside and outside their home

country to support their enterprise's long-term success. Policies that hinder this capital(s) flow may devalue some of the reasons for success and influence these entrepreneurs to leave or become transnationals, thus mitigating the full value of bringing back and keeping the diaspora.

I believe the findings not only helps to a better understanding of the mechanisms of returnee entrepreneurship, but also contributes to theory development by exploring capital theory. This in turn should lead to a better understanding of the reasons behind the difference in performance of returnee started enterprises. Although capital theory, in this case, does not help explain the differences in performance when human, social and political capital are considered, it may allow researchers in the future to explore other capitals and explanatory variables. This has been done by further developing the concept of interaction and capital utilization, differentiating various forms of human and social capital, as well as, analysing their distinct effects.

This study points to the importance of exploring and better understanding the role of returnees in enterprise success, as well as, the complex mixes that human, social and political capital have in this process. While governments of large expatriate populations and especially those of highly skilled migrants, such as China, have made great efforts to insure their overseas talent pools repatriate, the policies have primarily been oriented toward promoting formal institutions and economic incentives. A key additional finding relates to the importance of the role of government programs and incentives in attracting the diaspora to return and engage in entrepreneurship activities, as well as, helping understand the roles that some of the capitals

and networks, such as former employers and/or access to business or political circles, may have in the development and success of returnee enterprise performance. Such understanding has potentially important implications for policy formulation and implementation.

Present policies created to promote entrepreneurship among returning migrants commonly work on the assumption that some elements are more important to a successful repatriation program. These tend to focus on providing financing, creating infrastructure and environments such as business parks in China, for example, or business training (Black & Castaldo, 2009). The results of this study matches some past studies in that education has an inverse relationship with enterprise performance, while work experience is a positive one (Black & Castaldo, 2009), or that success is mainly based on social networks and the ability of returnees to be in contact with family and friends (Qin & Estrin, 2015; Black & Castaldo, 2009). This research shows that these relationships are both complex and require additional exploration.

From a theoretical perspective, understanding the links between returnee value, exploitation, and performance represents an important area for future research. From a public policy perspective this research suggests that much of the activity geared exclusively to ensuring physical locations, such as business parks or sources of finance may be partially missing their mark. This research would tend to suggest that the re-integration of the diaspora should be accompanied by the facilitation and support through political and business networks and associations. For example, Romania has a dedicated network to attract, incorporate and develop entrepreneurs who return, start a business

and try to maximize their opportunities both within and outside the country (EACEA, 2018). The highly interconnected nature that some individuals now have through global networks and the virtual nature of many enterprises, puts emphasis on promoting and assisting these entrepreneurs to maintain and continue to develop their networks both within and outside the country. Policies that restrict foreign access and communication not only will affect returnee enterprise but may also stop or reduce the flow of returnees and their enterprise creation efforts.

There are some limitations to this study that I have acknowledged earlier and can be summarised as follows: the first limitation is that the sample was drawn from four countries. Although the selection of method was both robust and random, the four countries selected may or may not be fully representative of small and medium enterprises in emerging markets worldwide since there was not an Asian country in the sample. These excluded groups of countries and their entrepreneurs may possess higher or lower levels of returnees in addition to different iterations of the capitals used in this study and may, due to these factors, pursue different patterns of entrepreneurial activity. Further studies should help in the examination of the generalizability of the typology used in this study and thus would the understanding of the commonalities and differences that exist across different groups of entrepreneurs. It has been pointed out that industry differences may also have a significant effect on how the capitals are gathered and used. It is possible that the type enterprise that an entrepreneur creates, can subsequently shape his/her attitudes and embeddedness in the home country. Similarly, it is possible that embeddedness or attitude may determine the type

of enterprise, but once started it can influence both these factors. Taking the above into account, the potential for endogeneity issues cannot be ruled out because of the possibility of reverse causality.

The second limitation is the design of the overall study is cross-sectional, and hence it is subject to the inherent limitations of cross-sectional studies. A longitudinal investigation would also present opportunities to identify patterns because of contextual changes or changes in the composition of personal networks. The third limitation is that it is not a large sample, and that it measures only whether returnees established a successful business, and not why it has been successful, or if and how, others failed. It does not explore whether these effects have had a wider economic impact in the four countries.

Future research should examine how different capitals interact within individuals and how these interactions take both different forms that result in differences in performance. I examined returnee entrepreneur and enterprise performance, but data limitations did not allow me to explore the role other types of ties, i.e., ties between the entrepreneurs themselves in the home country or returnees and local institutions, and their effect on this performance. Further, investigating individuals and their firms, industry and location specific contingencies other than those examined in this study would also be a productive avenue for future research. For example, it would be valuable to understand how the role of networks and institutions and the associated benefits and pressures differ between returnees and non-returnees. The effect of erosion on capitals is another area that invites additional research.



In conclusion entrepreneur, migration and policy specialists may have cause to examine returnees and their enterprise efforts while at the same time paying close attention the value of helping them re-establish their social and political capitals and maximizing their human capital.

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## Appendices

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### Appendix 1

#### Copy of introductory letter, information sheet and consent form

Title of Research Project: Returnee and non-returnee entrepreneur's capitals impact on entrepreneurial firm performance.

Name of Researcher: Anthony Brown. Contact number: 07956188016. Email: bnacb@leeds.ac.uk

*Please **initial the box** if you agree with the statement to the left*

- 1 I confirm that I have read and understand the letter dated *[insert date]* explaining the above research project and I have had the opportunity to ask questions about the project.
- 2 I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline.
- 3 I understand that my responses will be kept strictly anonymous. I give permission for members of the research team to have access to my anonymised responses. I understand that whilst direct quotes may be used my name will not be linked with the research materials, and I will not be identified or identifiable in the report, reports or articles that result from the research.
- 4 I agree for the data collected from me to be used in future research
- 5 I agree to take part in the above research project and will inform the researcher should my contact details change.

\_\_\_\_\_  
Name of participant

*(or legal representative)*

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

Anthony Brown

Researcher

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

*To be signed and dated in presence of the participant*

.

Anthony C. Brown  
CIBUL (Center for  
International  
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Mr.

[Pick the date]

Dear xx,

Thank you for agreeing to consider participating in my entrepreneur/ enterprise global research. You and your insights, comments and response will be invaluable to the outcomes of this research.

The aims of the research are to explore and better understand the role and the acquired values that you as an entrepreneur brought and bring to your enterprise. These values are roughly broken in three. One, your education and

work experience; two, your social networks of friends and acquaintances and third, your community and professional networks. A more detailed explanation is attached.

The research will be conducted with the participation of leading entrepreneurs in selected countries around the world of which Ukraine is one of them. As a research participant you are being asked to spend about an hour and a half of your time at which time we will complete a survey together and talk about your experiences starting your company.

In the interests of avoiding any misunderstanding and for complete clarity, both the results will remain completely anonymous and all your responses are to be given with the understanding of complete confidentiality. Neither I nor The University of Leeds will divulge either the source or associate any particular response of comment to any given participant. Your rights to confidentiality are guaranteed by Leeds University strict ethical guidelines and regulations, the Code of Ethics from the International Sociological Association, Code of Ethics and Conduct from the British Psychological Society and the ethics guidelines from the British Educational Research Association and the European Union right to privacy and data protection. At the same time, you have the right to withdraw at any time prior to the final publication of the research results. The results of the research will be shared with any and all participants who wish to receive the final findings.

I look forward to meeting you at a convenient time and place.

All the best,

Letter Polish (female)

Szanowna Pani XX  
YYYYYY nazwa firmy

[Pick the date]  
Szanowna Pani XX,

Dziękujemy za wyrażenie chęci udziału w badaniu przedsiębiorstw i przedsiębiorczości na skalę globalną. Pani spostrzeżenia, komentarze i odpowiedzi na pytania mają niebywałą wartość i wpływ na wyniki badania.

Celem projektu badawczego, który szczegółowo został opisany w załączonym dokumencie, jest zbadanie oraz zrozumienie roli nabytych umiejętności oraz wiedzy, które Pani, jako przedsiębiorca, wnosi do firmy.

Badanie zostanie przeprowadzone przy udziale wiodących przedsiębiorców w wybranych krajach z całego świata. Jako uczestnik badania zostanie Pani

poproszona o wypełnienie dołączonej ankiety oraz kolejno, rozmowę, w sprawie której skontaktujemy się po otrzymaniu wypełnionej ankiety.

W celu uniknięcia nieporozumień oraz osiągnięcia większej przejrzystości, rezultaty będą w całości anonimowe, a odpowiedzi na pytania – poufne. Zarówno University of Leeds, jak i ja nie ujawnimy źródeł bądź powiązań między odpowiedziami badanymi a samymi badanymi. Stanie się tak jedynie na wyraźne Pani życzenie. Prawo do poufności jest zagwarantowane przez etyczne wytyczne i regulacje Leeds University, Kodeks Etyczny Międzynarodowego Stowarzyszenia Socjologów, Kodeks Etyczny i Postępowania Brytyjskiego Towarzystwa Psychologicznego, etyczne wytyczne Brytyjskiego Stowarzyszenia Badań Edukacyjnych, a także przez prawo do prywatności i ochrony danych Unii Europejskiej. Tym samym, ma Pani prawo do wycofania się z badania przed publikacją wyników badania. Rezultaty zostaną udostępnione uczestnikom badania na uprzednią prośbę.  
Z wyrazami szacunku

### **Information for the survey respondents. English Original**

Research title: Returnee and non-returnee entrepreneur's capital(s) impact on entrepreneurial firm's performance

You are being invited to take part in the above research project. Before you decide whether to do so, it is important for you to understand why the research is being conducted and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Please ask us if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to continue. Thank you for reading this.

#### **Project's Purpose**

Entrepreneurship remains at the centre of any nation's economic activity, in terms of economic growth, technological and knowledge transfer and development and employment. Some nations have begun to implement programmes and incentives to both attract its emigrants to return and for this returning talent and their ideas to have a home where these ideas can be put to practice. For example, Taiwan realising the value of its returnees, in 1980 opened up the first of several science industrial parks with special economic incentives. By 2000, 118 of the 289 enterprises in these parks (employing over 100,000 people) had been founded by returning émigrés and the remainder by individuals who had never left the country. China has followed suite with over

30 of such parks developed specifically to encourage returnee entrepreneurs and their enterprises. These examples show the profound impact these types of policies can have on a nation's enterprise development and their performance and success. The main aim is thus, to analyse the enterprises started by entrepreneurs in a wide range of industries and to establish whether a link exists between where the experience, knowledge and networks were acquired and the enterprises' current performance and success.

Why have I been chosen?

Given that the study deals with issues involving strategic decisions and firm performance it is important that respondents have a strategic perspective of their organisation. For this reason, a member of the original start-up entrepreneur team (or the sole starting entrepreneur-whichever is the case) is the preferred respondent for this study. The study will look for both entrepreneurs that have never left their home nation and those that have and returned and will try to understand the value that work experience, training, education, personal networks and the like bring to the enterprises they have started.

Do I have to take part?

If you have received an introduction letter and this accompanying document, it is understood that you have already expressed interest in taking part in this research. It is up to you to decide if you indeed want to participate by completing the interview and thus giving implied consent (formal consent form may be required for your signature at the time of the interview) You can still withdraw at any time without it affecting you in any way. You do not have to give a reason.

What will happen to me if I take part?

You will be required to fill in an online questionnaire; this should take about between 30 and 60 minutes. The questions will generally relate to your own educational, work or training background; and social networks, the nature of environmental turbulence in the main industry your organisation compete and some information related to the performance of your organisation over the last 3 years. All questions are in a tick-box, select within a range (usually between 1 and 5 or a specific other self-explanatory range) or fill-in the blank format. After you complete the questionnaire and return it you will be asked to meet with the researcher for a face to face interview which will be recorded in order to follow-up on the questionnaire answers and secure your points of view on the topics mentioned above, give examples and expand on the initial answers.

The interview will consist of no more than 10-15 questions and take no more than approximately one to one and a half hours. The times and dates for the interview will be done by mutual agreement at a time and place of your convenience and pre-agreed with the researcher at the time the interview is booked.

Note: should you agree to participate, you may request to have both the survey and interview be conducted in (Native language).

What are the possible benefits of taking part?

This research will help improve knowledge of the architecture of entrepreneurial firms competing in dynamic situations. It will advance knowledge on the value of the skills and knowledge that entrepreneurs bring to their enterprises that in turn help build organisations that can compete in an increasingly uncertain global marketplace. On a more practical note one of the outcomes of this study is to create a framework for understanding the value of these skill, knowledge and networks across multiple countries and asses their cross-national validity. It is hoped that this study will provide a benchmark for entrepreneurs and eventually supporting organizations to develop and support plans to create and nurture start-up enterprises and the people behind them, while give entrepreneurs additional tools that can be used as a guide for performance improvement.

Will my taking part in this project be kept confidential?

All the information that I will be collected about you during the course of the research will be kept strictly confidential. Neither you nor your organisational will be able to be identifiable in any reports or publications.

What will happen to the results of the research project?

Results of the research will be published at conferences and/or scientific journals. You and your organisation will not be identified in any report or publication.

Who is organising and funding the research?

The research is partly funded by the University and the researcher.

This research will contribute towards the fulfilment of the requirement for the award of a PhD at the Leeds University Business School., University of Leeds.

For further Information please contact:

Postgraduate Researcher

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University of Leeds

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Primary Supervisor

Professor Timothy Devinney

Leeds University Business School

University of Leeds

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## **Romanian version**

Pachet de informade pentru repondeny@lu

Titlul Studiului de Cercetare: Impactul capitalului antreprenorului repatriat e award of a PhD at the Leeds University Business School., University of Leeds. tion. I be able to be identifiable in any reportsi de Cercetare: Imsus. Înainte sf luael Studiului de Cercetare: Imsus. Înainte lului antreprenorului repatriatțelegeți scopul studiul și ce va implica acesta. Vtare: s vce va și timp simplicți cu atenție urmtenmplica acestai și surmtenmplicați cu alții daclenmplți. Nu ezitați sNu ezitalica și sNu ezitalica acesta. Vtare: Imsus. va apitalului antreprenorului repatriat eți orice informație suplimentara acești- vsuplimentara acces- vvsuplimeți dacplimenți sau nu sntara acești cu participarea la acest studiu. V. va țumesc pentru timpul acordat citirii acestor informații.

## Scopul Proiectului

Antreprenoriatul este acordat citirii acestor țări economice a oricnomicetiuni, nomice a oric acoștere economica oric acordat citiriiștințe și tehnologie, de dezvoltare și a pieții de muncgie,nele națiuni au ncgie,nesu implementeze programe și sisteme de stimulare care nu numai sester informa anții isteme de stimulare care nu numai sester informațiu unde talentul local și ideile inovative sal care nu numai sester informa antreprenorului repatriat e award of a Pțenilor repatriați, a deschis iaive sal care nu numai sester științific care operează un sistem de stimulare economic special. P Pr informa antreprenorului repatriat the Leeds University Business School., University of Leel., University of fondate de emigranți repatriați, iar restul de cre economic special. P Pr informa antreprenorului repatriatreprenorului repatriat the Leeds University Business School., University of Leel., University of fți și iar restul de cre economic special. P Pr infoun impact profund al acestor tipuri de politici asupra dezvoltnoruluiiționale a rofund al acestorși asupra performanței și succesului lor. Pentru acest motiv, scopul principal al acestui studiu de cercetare este shD at the Leeds University Business School., renori dintr-un număr mare de industrii cu speranța de a stabili dacPentru acest moție între locul dacPentru acest ța, cunoștințele și rețeaua socialcul dacPentru acest motiv, scopul princiși performanța și succesul antreprenorului est motiv, sDe ce am fost ales?

Avm fost ales?reprenorului est motiv, scopul principal al acestui studiu de cercetare este shD at the Leedsși performanța rezultatneseste important ca repondenții sortant ca repondenden est motiv, scopul princiției dumnealor. Din acest motiv este de preferat ca un membru al echipei inițiale de antreprenori (sau singurul antreprenor-dupipal al acestui studiu de cercetare este shD at the Leeds University Business Scși timp antreprenori care nu au locuit niciodat-dupipal al acestui studși antreprenori repatriați pentru a orțelegere valoare pe care experiența de muncoare pe care experitița, rețeaua socialreși altele ca acestea o aduc ien locuit nicioSunt obligat su iau parte?

Dacu pți primit scrisoare introductiv lși acest document e ințitor este de dțeles cste dți ar cste de dt e introductiv locuit nicioSunt obligat su iau parte?diu de cercetare este shDți s participați la interviu și sa interviuți consimță consimerviu dt e introductiv locuit nicioSunt obligat su iau parte?diu de cercetare este shD at the Lși consimerviu nt e iți s vsosimervți consimță consimnsimervt e introductiv locuit nicioSunt obligat su iau parte?diuși fonsimerviu nt e introductiv locuit nicioți un motiv.

Care este procesul dac dacl dacroductiv locuVa trebui s sac dacl și un chestionar online; Durata completv locuVa trebui s sac dacl rte?diu dși 60 de minute. online; Durata completv locuVa trebui s sac dacl rte?dțiional, profesional și de specializare; și rețeaua sociallizare; ine; Duratțelor mediului



industrii urata completv locuVa trebuția dumneavoastrndși niște informații legate de performanța organizației dumneavoasrformanei urata completv locuVa trebui s sac dacl rte?diu de cercetare este țe, selectarea unei catalograta completv locuVa trebui s sac dacl rte?diu de cercetare este shD at the Leeds Universittiu gol. Dup specificataloși returnarea chestionarului, veti fi rugat s participați la un interviu față la unță la un interviu faonarulși care va avea ca scop dezvoltarea r rugat srea unui spalar esteși clarificarea unor puncte, precum și oferirea de exemple pentru extinderea rt srea unui spalțiale. Interviuul va consta din nu mai mult de 10-15 5 i mult dși va dura nu mai mult de o or10-15 5 își jumdura nu mai și ora interviului vor fi stabilite de comun acord la o datr și un loc convenient pentru dumneavoasrdeși aprobat de cercettru dumneavoasrde Notprobat dvo decideți scideat de cți, puteți cere st de ceți atre st de cercettru dși interviul cercettru dumneavoasrdes vinterviul cercettru dumneavoasrde comuși in cazul celui de-al doilea stadiu, veți putea alege limba al doilea stți suteați intervievat.

Care sunt posibilele beneficii ale particip acordAcest studiu de cercetare va dezvolta cunoștințele legate de structura e va dezvolta cunop acord la o datție și legateții dinamice. structura e va dezvolta cunop acord la o datr este cercetștințelor și calificce. structura e va dezvolta cunop acord la o datr este cercetare va dezvolta cuno) sau completarea unui spayții care sunt capabile s e va dezvolta cunop acord la o din ce e cercetare va dezvolta cuno) sau completarea unui spay Business School., renori dintr-un numcompletarea unui spay Bțelegerea valorii acestori calificezultatele acțe și rețele la nivelul mai multor țale și compararea validituții lor la nivel multi-național. Speranța este cperanel multi-nar calificezultatele aceșă este cperanel multi-și eventual pentru organizațiile care pentrîn pentru a dezvolta planuri de susținere a u a dezvolta planuri de suțate și a oamenilor din spatele lor, susultatele aceeri antreprenorilor uneltele necesare pentru a-și dezvolta performanța.

Va fi confidențial confidenenformanatele lor, susultatToate informațiile colectate despre dumneavoasrultatele aceeri antreprenorilor uneltele necesățiale. Nici dumneavoasrumneavoasrganizația dumneavoastreavoastți fi indetificabili strumneavoasrganizatele aceție.

Ce se va a se va tificabili strumneavoasrganizatele aceeri antrRezultatele acestui studiu vor fi publicate la conferințe și/sau jurnale stiințifice. Dumneavoasr și organizația dumneavoasrastr stți fi identificabil studiu vor fi publicate la ție.

Cine sponsorizeazl studiu vor fi publicate laProiectul este sponsorizat zat onsorizat vor fi publicate la coși onsorizat zat onsorizat vor fAcest studiu va

contribuții vor fi puse la dispoziție și vor fi publicate la conferința Business School., rectorat din Leeds., Universitatea din Leeds.

Pentru mai multe informații vă rog să mă contactați:

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Prim Supraveghetor

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University of Leeds

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## **Appendix 2**

### **Questionnaire**

Adapted from Groorttaert et al., (2004)'s Measuring Social Capital an integrated questionnaire-World Bank 2004

Integrated Questionnaire for the Measurement of Social Capital (SC-IQ)

Questionnaire (English original)

### **Instructions for completing the Questionnaire**

You already should have received the welcome to the survey letter, as well as, the 'information to the respondent' note which outlines both the objectives of this research and all the ethical and university guidelines under which this research is being undertaken.

When completing this questionnaire and responding to any question that refers to your company in any way please always reference the company you have indicated at the beginning of section b.

A company in this context is defined as an organizational unit that has a separate and independent balance sheet and profit and loss objectives.

We would be grateful if you could please complete the questionnaire in its entirety and return it within four weeks of the date of receipt.

In order to answer all the questions, we require you to write (type) in a box, check the most relevant or type (write) in the appropriate number. If you are

uncertain about your answer, please give it your best guess; a guess is preferred to no answer at all.

You may answer it electronically (directly on this document) and return it via email to [bnacb@leeds.ac.uk](mailto:bnacb@leeds.ac.uk), you may print it and write (check) your answers (use a black pen please), scan and return it via email to [bnacb@leeds.ac.uk](mailto:bnacb@leeds.ac.uk), or mail to: Anthony C. Brown c/o CIBUL (Center for International business), Leeds Business School, Room 2.38, and Maurice Kenworth Building. University of Leeds. Leeds, LS2 9JT United Kingdom.

If you have any queries or suggestions, please contact Anthony Brown  
Telephone: +442071937185 or email: to [bnacb@leeds.ac.uk](mailto:bnacb@leeds.ac.uk)

Thank you for your time in completing the questionnaire

### **Part 1 (about you and your company)**

**This section will ask some basic questions about you and your background and that of the company you started or helped start.**

1.0.1 Are you:

Male \_\_\_\_\_ Female \_\_\_\_\_ NA \_\_\_\_\_

1.0.2 What city were you born in?

\_\_\_\_\_

1.0.3 What country (s) are you a citizen of?

\_\_\_\_\_

1.0.4 How old are you?

\_\_\_\_\_

1.0.5 Have you ever lived outside your home country for more than 12 consecutive months?

Yes \_\_\_\_\_ No \_\_\_\_\_ (go to 1.0.7)

1.0.6 If so where? (List up to 3 countries, starting with the one you have lived longest)

\_\_\_\_\_ Years: \_\_\_\_\_ Years: \_\_\_\_\_ Years: \_\_\_\_\_

1.0.7 Please tell us what activities you regularly engage in outside work:

Sports/ hobbies/ special interests (i.e., team sports, running, tennis, hiking, paragliding, flying planes, collecting, scuba diving, bird watching etc.) (Please list no more than three)

\_\_\_\_\_

1.0.8 While pursuing those activities, do you belong to a group, team, or organization?

Yes \_\_\_\_\_ No \_\_\_\_\_

**Company, personal and professional background.**

**This section will ask you about your background and that of your company. Please fill in where appropriate the most recent information first. If in doubt, complete the question you are unsure about how to answer, with the first thought that crossed your mind when you read the question. Please do not leave any blanks. If you still feel your answer is not exactly as you wish it, please make a note on a separate email and this will be followed-up with you personally prior to or at the time of the interview.**

**If you own/ partially own or are a significant shareholder in more than one company, please select the one that you are the most involved in and the one you will use to answer the questionnaire.**

Do you own more than one company? yes\_\_\_\_\_ No\_\_\_\_\_

Name of your Company: \_\_\_\_\_

The year the company was started: \_\_\_\_\_

In a few words please describe what the company does (if you own more than one company please describe the one you will use for the rest of this questionnaire)

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1.1.1 Which industry is the company predominantly involved in:

\_\_\_\_\_

1.1.2 Approximately how many employees does the company have?

\_\_\_\_\_

1.1.3 Is the company any of the following (check and/or fill-in all that apply) ✓

Franchise \_\_\_\_\_

Licensee \_\_\_\_\_

(Home country of licencing company) \_\_\_\_\_

Joint Venture \_\_\_\_\_

(Home country of the partner Company) \_\_\_\_\_

Partially owned subsidiary \_\_\_\_\_

(Home country of parent company) \_\_\_\_\_

1.1.4 Is the company part of a foreign holding or group of companies?

Yes \_\_\_\_\_ No \_\_\_\_\_ (go to 1.1.6)

1.1.5 In what country is the holding/Headquarters based?

\_\_\_\_\_

1.1.6 Does your company? (Check all that apply) ✓

Domestic

Internationally

Sell, or provide services	_____
_____	
Manufacture	_____
_____	
Do research	_____
_____	
Have retail operations	_____
_____	

1.1.7 If the company has offices/manufacturing facilities internationally,  
in how many countries \_\_\_\_\_

**Work background.**

**In this section we will ask you about any work experience you have had before starting your enterprise. Please only include the jobs/positions that were full time. When thinking about the job/ position/role significance, please consider them as you personally perceived them in terms of best or most important roles in your own professional career. When we ask about managerial experience we define the term manager/ supervisor as: An individual who is in charge of a certain group of tasks, or a certain subset of a company. A manager often (but not always) has a staff of people who report to him or her. The role usually has the title ‘manager’ in its description.**



1.2.1 Number of positions you held before starting the company

\_\_\_\_\_ (if zero go to 1.3.1)

a) How many of them were overseas?

\_\_\_\_\_ (if zero go to 1.2.2)

b) List the country(s) you worked in

\_\_\_\_\_

1.2.2 How many years of managerial experience you have?

\_\_\_\_\_

1.2.3 List your prior roles by order of significance:

\_\_\_\_\_

\_\_\_\_\_

1.2.4 List the industry (s) your roles were primarily in

\_\_\_\_\_

1.2.5 What size of company (s) did you work for?



Up to 10 Employees \_\_\_\_\_

Up to 50 Employees \_\_\_\_\_

Up to 250 Employees \_\_\_\_\_

Up to 1,000 Employees \_\_\_\_\_

Up to 5,000 Employees \_\_\_\_\_

Over 5001 Employees \_\_\_\_\_

1.2.6 Do you do business with any of your former employer(s)?

Yes\_\_\_\_\_ No\_\_\_\_\_ (go to 1.3.1)

1.2.7 Was (is) this employer?

Domestic\_\_\_\_\_ Foreign\_\_\_\_\_

1.2.8 What percent (%) of your total Turnover is done with former employer(s)?

\_\_\_\_\_

## Education

**In this section we will ask you about you academic/ school background.**

1.3.1 Indicate which lever of education you have completed. Please also indicate if any of these educational levels was completed outside your home country (overseas): Please check all that apply ✓

	Completed	Overseas
Secondary/ High School	_____	_____
Technical/Polytechnic schools	_____	_____
<i>University:</i>		
Undergraduate	_____	_____
Masters/ MBA	_____	_____
PhD	_____	_____

If you attended a university, please list the name(s) of University(s) attended

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1.3.2 If you did study overseas which country (s)? (List the most recent, if more than three)

\_\_\_\_\_

**Thank you, this concludes section 1**

**Section 2 (about you and your networks).**

**This part of the survey will start by asking you about the groups or organizations, networks, associations to which you participate in or belong to. These could be formally organized groups or just groups of people who get together regularly to do an activity or talk about things.**

**Please read the following list of groups, fill in the name of the organization if you belong to any (for example: Saturday football pick up, Lions international, national association of accountants, wine testing group, buddy Tuesday drinks, etc.). Then give your level of participation in the third column. Leave blank any line or column that does not apply**

**We have included a long list of potential organizations you might belong to. This list is not exhaustive and if we have failed to mention any organization type you participate in please included it (them) at the end in box S.**

Type of Organization or Group	Name of Organization (s) or Group (s)	How actively do you participate in the group's decision making?  1 = Leader  2 = Very Active
A. Industry groups/ cooperative/ associations or		

B. Government led associations		
C. Traders or Business Association		
D. Professional Association (doctors, teachers, veterans)		
E. Trade Union or Labor Union		
F. Neighborhood/ social		
G. Religious or spiritual group (e.g. church, mosque, temple, informal religious group, religious		

study group)		
H. Political group or movement		
I. Cultural group or association  (e.g. arts, music, theater, film)		
J. Other charity or social societies		
K. Finance, investment, credit or savings group		

L. Education group (e.g. parent-teacher		
M. Arts/ Hobby/ Leisure group		
N. Environment protection or natural		
O. Sports group		
P. Youth group		
Q. Civic group (e.g. Rotary Club, Red		
R. Ethnic-based community		
S. Other groups		

1.1 Compared to before you started your company, do you participate in more or fewer groups or organizations?

- 1 Many More
- 2 More
- 3 Same number
- 4 Fewer
- 5 Far fewer

2. Of all the groups to which you belong, which two are the most important to your Company?

I.Group 1 \_\_\_\_\_

II.Group 2 \_\_\_\_\_

3. How does one become a member of these groups?

1 Born into the group

2 Required to join

3 Invited

4 Voluntary choice

5 Other (specify) \_\_\_\_\_

Group 1 \_\_\_\_\_

Group 2 \_\_\_\_\_

**Now that you have selected the two groups you interact with the most, please complete the following questions and answer them only as they pertain to the chosen groups.**

2.1 Have you donated money or time to any of these two groups in the past 12 months?

Yes/ No

Group 1

Group 2



Approximately how many times in the past 12 months did you participated in these group's activities, e.g. by attending meetings or doing group work?

Group 1

Group 2

2.2 What is the main benefit you derive from joining these groups?

Pick the one that you believe adds the MOST value.

- 1 Improves my company's current revenues
- 2 Benefits my employees
- 3 Interaction with government institutions
- 4 Offers opportunities for political involvement
- 5 Support mechanism for business contingencies
- 6 Benefits the community
- 7 Improves my company's ease of access to services
- 8 Spiritual, social status, self-esteem
- 9 Other (specify)

---

Group 1

\_\_\_\_\_

Group 2

\_\_\_\_\_

2.3 Do the two groups help your company get access to any of the following services?

✓ (Check whichever applies)

	Group 1	Group 2
A. Financing		
B. Contracts		
C. Permits		
D. New clients		
E. Technology		
F. Supplies		
G. Other (specify)		

2.4 Comparing yourself to most members of this (e) group (s) are most of them of the same...

Yes/ No (Check whichever applies)

	Group 1	Group 2
A. Neighborhood/City/ Town		
B. Family or Kin group		
C. Religion		
D. Gender		
E. Age		
F. Ethnic or linguistic group/race/ caste/tribe		
G. Industry		
H. School		
I. Occupation		
J. Educational level		

2.5 Do the two groups you have selected, work or interact with other groups with similar goals *in* the country?

- 1 Never
- 2 Yes, occasionally
- 3 Yes, frequently
- 4 Always
- 5 Don't Know

Group 1

Group 2

2.6 Do the two groups you have selected, work or interact with other groups with similar goals *outside* the country?

- 1 Never
- 2 Yes, occasionally
- 3 Yes, frequently
- 4 Always
- 5 Don't Know

Group 1

---

Group 2

---

2.7 What is the most important source of value you receive from this group?

- 1 From within the membership
- 2 From other groups linked to my groups within the country
- 3 From sources outside the country from other groups linked to my groups within the country
- 4 From referrals to other individuals or groups
- 5 none

Group 1

Group 2

2.8 Who originally founded these 2 groups?

- 1 Government
- 2 School or work entity
- 3 Industry leaders
- 4 Individual members
- 5 Foreign organization

Group 1

Group 2

2.9 How well do people in your two selected networks help each other out these days? Use a five-point scale, where 1 means always helping and 5 means never helping.

- 1 Always helping
- 2 Helping most of the time
- 3 Helping sometimes

- 4 Rarely helping
- 5 Never helping

Group 1

Group 2

The following questions are about your personal relationships, preferences and opinion.

2.10 In general, do you agree or disagree with the following statements? On a scale of 1 to 5, where 1 means you agree and 5 means you don't agree, how much do you trust the people in that category? Please write in a number from in each of the boxes.

	1. Agree strongly 2. Agree somewhat 3. Neither agree nor
A. Most people in my selected networks can be trusted	
B. In this business environment one has to be alert or someone is likely to take advantage of you	
C. Most people in my networks are willing to help if I need it	
D. Even in my networks, people generally do not trust each other in matters of lending and borrowing	

2.11 Now I want to ask you how much you trust different types of people. Please rank order from one (1) to nine (9), with one (1) being those you trust most and nine (9) the least

	1-9
A. People from your ethnic or linguistic <i>group/region/caste/tribe/country</i>	
B. People from other ethnic or linguistic <i>groups/regions/castes/tribes/foreigners</i>	
C. other entrepreneurs/ former colleagues	
D. Local government officials	
E. Central government officials	
F. People in your group 1	
G. people in your Group 2	
H. Your employees	
I. Supplier / customers	

2.12 If a company/ industry project does not directly benefit you, but has benefits for many others in your business/ social circles, would you contribute time or money to the project?

A. Time

B. Money

1

Will not contribute time 1 Will not contribute money

2

Will contribute time 2 Will contribute money

2.13 In the past 12 months, have you worked with others in your business/ social circles to do something for the benefit of any of your networks?

1 Yes

2 No

2.14 How likely is it that your efforts and time/ money contribution have helped or will eventually help your firm?



- 1 Very likely
- 2 Somewhat likely
- 3 Neither likely nor unlikely
- 4 Somewhat unlikely
- 5 Very unlikely

2.15 Have you traveled outside the country in the past 12 months?

Yes\* \_\_\_\_\_ No \_\_\_\_\_

\*how many times \_\_\_\_\_

2.16 How strong is the feeling of togetherness or closeness in your business circles? Use a five-point scale where 1 means feeling very distant and 5 means feeling very close.

- 1 Very distant
- 2 Somewhat distant
- 3 Neither distant nor close
- 4 Somewhat close

5 Very close

2.17 There are often differences in characteristics between your business-related networks. For example, differences in wealth, income, social status, ethnic background, race, caste, or tribe. There can also be differences in religious or political beliefs, or there can be differences due to age or sex. To what extent do any such differences characterize your business networks?

1 To a very great extent

2 To a great extent

3 Neither great nor small extent

4 To a small extent

5 They don't exist

2.18 Do any of these differences cause problems?

1 Yes

2 No (Please go to question 2.21)

2.19 Which two (2) differences most often lead to lack of communication, understanding or reaching agreements?

- 1 Differences in education
- 2 Differences in professional position: company owner/ employee
- 3 Differences in wealth/material possessions
- 4 Differences in social status
- 5 Differences between men and women
- 6 Differences between younger and older generations
- 7 Differences between long-term and recent residents
- 8 Differences in political party affiliations
- 9 Differences in religious beliefs
- 10 Differences in ethnic background/ race/caste/tribe
- 11 Other differences

2.20 If there was a problem that affected your company's ability to operate normally (i.e., lack of a permit, shut down in essential services, temporary cash flow shortage, tax issues etc.), how likely is it that you will go to your networks to solve the problem?

- 1 Very likely
- 2 Somewhat likely
- 3 Neither likely nor unlikely
- 4 Somewhat unlikely
- 5 Very unlikely

2.21 What are the three (3) most important sources of information about what the happening in your

industry (such as changes in regulations, innovations, new players in the market, contract allocation etc.)?

- 1 Domestic Network(s)
- 2 Community or local newspaper
- 3 National newspaper
- 4 Radio
- 5 Television
- 6 Groups or associations
- 7 Business or work associates
- 8 Political associates
  
- 11 Employees
- 12 An agent within the government
- 13 Foreign network(s)
- 14 The internet
  
- 15 Friends

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2.22 What are the three (3) most important sources of market information (such as new customers)?

- 1 Relatives, friends and neighbors
- 2 Community bulletin board
- 3 Local market
- 4 Community or local newspaper
- 5 National newspaper
- 6 Radio
- 7 Television
- 8 Groups or associations
- 9 Business or work associates
- 10 Political associates
  
- 11 Community leaders
- 12 An agent of the government

- 13 Your foreign networks
- 14 Internet
- 15 Friends

--	--	--

2.23 In general, compared to three years ago, has access to relevant and timely business information from within the country improved, deteriorated, or stayed about the same?

- 1 Improved significantly
- 2 Improved slightly
- 3 Stayed about the same
- 4 Deteriorated slightly
- 5 Deteriorated significantly

2.24 Of all these groups to which you already identified at the beginning of section, which one do you feel is the most important to your company?

\_\_\_\_\_ [Name of group]

2.25 Thinking about the members of this these group, are most of them of \_\_\_\_\_ the same....?

	1 Yes
A. Religion	
B. Industry	
C. socio economic group	

2.26 Do members mostly have the same...?

	1 Yes
A. Occupation	
B. Educational background or level	

2.27 Does this group work with or interact with groups *outside* the industry you are in?

- a. Never
- b. Yes, occasionally
- c. Yes, frequently
- d. Always
- e. Don't know

\_\_\_\_\_

2.28 In general, do you agree or disagree with the following statements, when referring to the group you selected in 2.24?

On a scale of 1 to 5, where 1 means you agree and 5 means you don't agree, how much do you trust the people in that category? Please write in a number in each of the two (2) boxes.

	1 Agree strongly 2 Agree somewhat 3 Neither agree nor disagree
A. Most people in this group are willing to help if	
B. I help others more than I seek help within this group.	

2.29 In general do you feel you can trust the following to assist your company needs? Please write a number in EACH of the three (3) boxes.

	1 To a very great extent 2 To a great extent 3 Neither great nor small extent
A. Local government officials	
B. Central government officials	
C. Regional Government officials	

**This concludes the survey. I thank you for your patience and support in completing and returning this questionnaire. I will be contacting you shortly in order to find a convenient date/ time/ place for the interview.**

**If you have printed this survey please scan and return it via email to [bnacb@leeds.ac.uk](mailto:bnacb@leeds.ac.uk), or mail to Anthony C. Brown c/o CIBUL (Centre for International business), Leeds Business School, Room 2.38, and Maurice Kenworth Building. University of Leeds. Leeds, LS2 9JT. United Kingdom**

**If you have completed it on your computer please save and forward via email to: [bnacb@leeds.ac.uk](mailto:bnacb@leeds.ac.uk).**



## **Appendix 3**

### **Interview protocol**

Introduction to the Study

Objective of the Interview

The purpose of the interviews is to collect the information and insights regarding the motivations, activities and methods underlying a company's stakeholder strategy. Our concern is in understanding if, how and why the capitals acquired by the firm's founder (s) affects its performance , (b) incorporate these capitals somehow into its corporate strategy, (c) manage relationships via their networks, and (d) show a significant difference in performance between those started by returnees vs non returnees. The interviews include a set of structured and some general open-ended questions relating to the nature of the capitals, the organization, and the performance of the enterprise in general. Respondents are encouraged to add any nuances or comments that they deem appropriate consistent with the goal of the interview. Some of the questions will be tailored following the completion of a survey.

Role of the Protocol

The protocol is a standardized agenda for the researcher's line of inquiry and aims to help researcher minimize errors and biases in conducting the interviews. This protocol is set up to ensure that an interview is conducted consistently across participants and, hence, substantiate the reliability of the study.

## Data Collection Procedure

### **Data Collection Plan**

In this study, the initial data collection has been conducted via a web-based survey that gathers some information that is used as the basis of the interview. The interview is meant to add to this and to also provide a more nuanced understanding of backgrounds, networks and the process of utilization. An interview is scheduled to last up to one hour.

### **Expected Preparation Prior the Interview**

Prior to an interview, respondents will have been already surveyed once, hence they will have a general familiarity with the project. This is possible because the participants will have “opted in” and indicated that they are willing to participate in the project and thus in an interview. For this reason, no preparation is required for the interview. All interviewees will be reminded that the interviews are strictly confidential, even though they are being recorded.

### **Background**

Q1: Ask questions about some of the person’s background, if they are returnees why they returned, the company’s background and the role that they play in the organization. This will follow on from the initial information available from the survey (*The point here is to give them a sense of perspective and make them feel at ease*), (*No More than 4-5 minutes*).

Q2: Please describe the context in which your organization operates and the roles the organization plays in its market context. Who are its major local and international competitors? What would they describe as a short form of their corporate strategy and how does it differ from their competitors' strategies? (*Getting a picture of the industry and where they believe they stand.* ) (*No more than 5 minutes*].

Q3: Follow-up questions from the survey. Individual, more focus on their social network answers, (*get the ready to discuss political networks*) (*No more than 3-5 minutes*)

(*Total NO more than 10-15 minutes*)

#### Political Networks

Q4: **Do you formally belong to a political party?**, (*yes/ No answer*)

P1: If so, describe how it works? What is its aim (in other words, is purely personal or what did you seek to achieve with it)? Does it and if so, How does it fit with the larger corporate strategy? How do you know if the strategy is 'working'? [*We may take the opportunity here to see the extent to which is involvement is "proactive or reactive", "strategic or non-strategic", or related to sales, public relations or something more substantive".*]

P2:(*if the person is a returnee*) **Did you belong or get involved with a political party in the country (s) you have lived in?** (if yes) Do you remain in contact with people you met in this (s) party (s). [*We may take the opportunity here to see the extent to which is*

*involvement is “proactive or reactive”, “strategic or non-strategic”, or related to sales, public relations or something more substantive”.] (yes/ No answer)*

**Q5: Do you formally belong to a politically related action group?** *[At this point we give an example. PAC/ similar, industry or professional groups, social/ political i.e., environmental or like NGOs, political associations, religious groups, etc].if the answer is, no go to the next question, (yes/ No answer).*

P1:What we would like to know is why you chose this (s) group (s)?

**P2:Do they provide benefits to your enterprise,** *(yes/ No answer)*

*Why/how is that so? [At this point go from the bottom up with trying to understand why each association is what it is and why specific associations/ groups have been selected, investigate how these associations/involvement affects/benefits/hurts the enterprise?]*

P3:As we focus in on you and your associations can you tell us if the the non-ownership stakeholders affiliations if known, affect both your and your enterprise involvement in the political landscape? *[A non-shareholder stakeholder is some one/some group other than the initial entrepreneur(s) in the enterprise (e.g., customers, employees, suppliers, etc. if yes a further probe will be made as to the perceived value to the firm-see next section)*

The best enterprise outcome

Q6: **Does your affiliation to political parties benefit your enterprise.** *(if yes)* please outline one case where you believe the engagement with a party was/is of direct benefit, *(yes/No answer)*

*(follow up with any of the below as appropriate)*

### The Nature of the Entrepreneur Activity

P1: What is the characteristic and context of the interaction? What motivated you or people in your organization organization to engage with this (s) parties? What makes this your most successful experience? At what point did you consider it a success?

P2: What sort of investments did you make when becoming involved? *[Note that investments here can be of any kind, not only financial.]*

P3: Was it done in stages or as one major investment?

P4: In terms of scale (ask for some measuring tool) how important was (is) it for the firm? *[This is best answered as a comparable investment question].*

P6: Is it important was (is) it in financial terms?

P7: please outline one case where you believe the engagement with a party was/is of direct benefit.

*[These questions are intended to be open ended question that allows the entrepreneur to tell us about his/her best story. The following questions are the general checklist for consistency of information captured among cases. It means to be asked when the entrepreneur does not mention about some certain information I am looking for.]*

### Social Networks and political influence

**Q7: Of the groups you mentioned in the survey: \_\_\_\_\_ and \_\_\_\_\_, have any of the member in any of these groups directly or indirectly helped you get something accomplished within an international, national, or local government structure? (yes/No answer)**

If Yes: can you describe it please.*[This question is intended to be an opened question that allows the entrepreneur to tell us about his/her other group relationships (taken from the survey if a prompt is needed). The following questions are the general checklist for consistency of information captured among cases. It means to be asked when an entrepreneur does not mention about some certain information we are looking for.]*

### The Nature of the entrepreneurs' Social Network Activity

P1: In dealing with any of the government institutions in Colombia,What is the characteristic and context of the interaction? Do you (have you in the past) had to deal with government institutions outside colombia? , if yes, what was the nature of this interaction?

P2: What sort of investments did you make in this interaction? *[Note that investments here can be of any kind, not only financial.]*

P3: Was it done in stages or as one major investment?

P4: In terms of scale (amount and as a percentage of company activity) how important was it? *[This is best answered as a comparable investment question].*

P5: What was achieved strategically? Operationally? What was not achieved? *[Strategic is broad here – including reputation, PR, political influence, etc.]*

P6: **has it been important in financial terms for your enterprise?** *(yes/No answer)*

#### Key Success of the Activity

P7: How typical was this experience for you? Your organization? What was it similar to?

P8: What did you learn from this experience?

#### Comparison between the Best and Worst Experience

P9: Looking at the two experiences are they really all that different? *[This is aimed at pulling out whether or not there is any substantive difference between the best and worst experiences and what they may have learned.]* Do they believe they are distinctively different from other companies experiences dealing with the political structures?

#### **BUSINESS EXPERIENCE**

QBE 1: When developing your business do you;

- 1- Start with you contacts in your circle of past professional and personal acquaintances
- 2- Advertise
  - a. Traditional media
  - b. E-media (web sites)
  - c. Social media
  - d. Other
- 3- Rely on a sales staff/distributors/third parties
- 4- Roughly what percentage each?

QBE 2: Your consumer is mainly: individuals, companies, government related institutions?

QBE 3: Do you social market your enterprises products/services. Is it ad hoc or do you have a clear strategy

If so can you describe it.

### The corruption Experience

Q8: Up to now we have discussed mainly 'organizations and networks and their benefits –However, **have you had direct experience in having to pay directly or through third parties in order to secure a permit, contract, licence, or any other similar requirement or benefit for your enterprise to either government institutions or private entities?** *(the interviewee may be reminded before this question is asked that the whole conversation will remain strictly confidential. ) (yes/No answer)*



P1: **Do you have a specific policy for managing these situations?** *(yes/No answer)*

P2: If so, describe how it works? Is it documented formally? How does it fit with the larger corporate strategy? Have you established the people in your organization (or yourself) that manages these situations when they arise? Do you have a formal or informal budget? What would happen usually if you decided not to use payments to expedite these needs?

P3: Could give me an example?

*This question is intended to be an opened question that allows a manager to tell us about his/her worst story.*

#### Closing question

Q18: To conclude we would like you to give me some background on your enterprises' activities in the past/present year, *(respondents will be asked about their companies financial performance, industry, market share and competitors)*

#### Concluding Questions

These questions will be asked in order to look into the enterprise performance

Enterprise performance KPI	Number or percentage
----------------------------	-------------------------

Sales in local currency 2013	
Sales in local currency 2014	
Sales in local currency 2015	
NOI 2013 in local currency	
NOI 2013 in % of total revenue	
NOI 2014 in local currency	
NOI 2014 in % of total revenue	
NOI 2015 in Local currency	
NOI 2015 in % of total revenue	
Sales outside home country in local currency (USD, Euros or other)	
% sales outside home country/total revenue	
Market share estimated	
industry	

Main competitors	
Number employees	

*Please tell me how important (10) each one is in terms of achieving ....(getting it done)*

<b>Political value to the enterprise</b>	<b>New business</b>	<b>Getting regulations done</b>	<b>Spreading up processes/ permits</b>
Political parties			
Personal relationships			
Aquired relationships:			
Legal			
Consultants			
Experts			
Expeditors			

# Appendix 4

## Variable List-summary

Variable Label	Variable Description	Colombia Nigeria Poland Romania						
		Mean	Std. Deviation	Mean	Mean	Mean	Mean	
<b>Individual Characteristics</b>								
Gender	Male 1, Female 2	1.39	0.489	1.41	1.09	1.48	1.59	
Age	Age at the time of completing the survey	46.56	11.127	53.44	44.66	47.76	40.53	
Years living overseas	How many years living in a foreign country, if yes =number of years	4.74	5.191	3.73	2.58	7.53	4.00	
Number of employees	Total number of employees the enterprise has	60.86	146.415	134.91	14.94	74.00	23.47	
Number foreign Ops	Number of foreign offices the enterprise has	0.48	1.052	0.56	0.14	1.27	0.38	
<b>Human Capital</b>								
number of years working	Total number of years employed before starting the enterprise	14.36	11.954	26.28	8.29	10.00	13.59	
Graduated High School	Completion of High school/ Secondary school = 0 if not, 1 otherwise	0.99	0.087	1.00	1.00	0.97	1.00	
Graduated Vocational school	Completion of a vocational school degree = 0 if not, 1 otherwise	0.25	0.435	0.06	0.37	0.33	0.22	
Graduated Undergraduate University	Completion of an undergraduate degree = 0 if not, 1 otherwise	0.77	0.426	0.94	0.60	0.79	0.75	
Graduated postgraduate University	Completion of a post graduate degree = 0 if not, 1 otherwise	0.33	0.473	0.59	0.29	0.27	0.19	
Graduated PhD studies	Completion of a doctorate degree = 0 if not, 1 otherwise	0.05	0.209	0.06	0.00	0.09	0.03	
Study abroad	Completion of a degree in a foreign country = 0 if not, 1 otherwise	0.16	0.367	0.31	0.03	0.18	0.13	
Number of jobs	Total number of jobs before starting the enterprise	2.30	1.702	3.47	1.86	2.42	1.47	
Foreign jobs	Number of jobs held outside the country before starting the enterprise	0.52	0.824	0.47	0.43	0.61	0.59	
<b>Social Capital</b>								
BENEFITREV H1	Benefits derived from network 1. = 1 direct benefit to the enterprise to 10 indirect benefit	3.41	2.606	3.56	3.69	3.15	3.22	
BENEFITREV H2	Benefits derived from network 2. = 1 direct benefit to the enterprise to 10 indirect benefit	3.92	2.498	3.88	4.89	3.24	3.63	
INTERACTION B1	Network 1 interaction with groups in country= 1 never, 5 always	2.45	1.094	2.34	2.20	2.45	2.84	
INTERACTION B3	Network 2 interaction with groups in country= 1 never, 5 always	2.30	1.209	2.31	1.60	2.45	2.88	
INTERACTION B4	Network 1 interaction with groups outside country= 1 never, 5 always	2.36	1.192	2.47	1.69	2.58	2.75	
INTERACTION B2	Network 2 interaction with groups outside country= 1 never, 5 always	2.54	1.080	2.41	2.17	2.67	2.94	
Group 2 most important source of value	=1 from within the group , 2-4 other groups, 5 none	2.07	1.237	1.97	1.60	2.18	2.56	
Group 1 most important source of value	=1 from within the group , 2-4 other groups, 5 none	1.78	1.213	1.56	1.40	1.85	2.34	
HELP L1	Network 1. Mutual assistance. = 1 always, 5 never	2.11	0.959	2.38	1.97	2.18	1.91	
HELP L2	Network 2. Mutual assistance. = 1 always, 5 never	2.18	0.956	2.19	1.97	2.27	2.31	
HELP L3	Receive help directly from those in my networks= 1 always, 5 never	1.81	0.875	1.63	1.91	1.85	1.84	
HELP L4	Receive help from people in networks if asked. =1 always, 5 never	1.64	0.803	1.59	1.69	1.76	1.50	
TRUST MP10	I trust those in my 2 selected networks =1 agree strongly, 5 disagree strongly	1.71	0.929	1.56	1.77	1.64	1.88	
TRUST O	I trust government employees=1 great extent, 5 not at all	3.67	1.340	3.84	3.23	3.52	4.13	
CLOSENESS	I am very close to those in my business circles= 1 very distant, 5 very close	3.16	1.145	3.25	3.09	2.97	3.34	
<b>Political Capital</b>								
belong to a political action group	Do I or my firm belong to a PAC=0 no, 1 yes	0.68	0.468	0.78	0.66	0.61	0.69	
if yes has it helped your company in anyway	Has belonging to a PAC helped your company in anyway=0 no, 1 yes	0.64	0.528	0.50	0.69	0.55	0.81	
if yes does your affiliation to political parties benefit your enterprise	=0 no, 1 yes	0.70	0.461	0.81	0.80	0.52	0.66	
Bribes to secure favour, permits, etc.	Have you paid bribes to government or industry officials/ employees for any reason=0 no, 1 yes	0.41	0.494	0.63	0.29	0.27	0.47	
<b>Dependent variables</b>								
Average Growth Revenue	The average growth of revenues from 2013-2016	37.1878	107.86892	34.3600	24.6160	29.5309	61.6622	
Average Growth Income	The average growth of income (profits) from 2013-2016	23.8352	50.70919	16.0984	17.3200	31.8030	30.4813	
SC Interaction	Social capital, aggregate interaction between networks and groups =11 very much, 5 not at all	2.4110	0.84660	2.3828	1.9143	2.5379	2.8516	
SC Trust	Social capital: trust measures aggregate=1 very much, 5 not at all	4.5136	1.34339	4.9125	4.0971	3.9758	5.1250	
SC Benefit	Social capital: benefits (received by the enterprise) measures aggregate=1 very much, 5 not at all	1.9053	0.62129	1.8125	1.8643	1.9924	1.9531	
Political Capital	Political capital: measures aggregate: affiliations, benefit, payment of bribes = 0 no, 1 yes	5.2803	2.25921	5.9063	5.3429	4.4545	5.4375	
education	Education measures aggregate: High school, Vocational, undergraduate, postgraduate = 0 no, 1 yes	2.3939	0.75924	2.6563	2.2571	2.4545	2.2188	
experience	Experience capital: mean of the number of years working before starting the enterprise, number of jobs	8.2727	6.46729	14.8750	4.9143	6.1515	7.5313	
Total Human Capital	Human capital: average: experience and education capital	5.3333	3.30779	8.7656	3.5857	4.3030	4.8750	
Sample size				32	35	33	32	

## Appendix 5

### Ethical approval Letter

Performance, Governance and Operations

Research & Innovation Service

Charles Thackrah Building

101 Clarendon Road

Leeds LS2 9LJ Tel: 0113 343 4873

Email: [ResearchEthics@leeds.ac.uk](mailto:ResearchEthics@leeds.ac.uk)



**UNIVERSITY OF LEEDS**

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**ESSL, Environment and LUBS (AREA) Faculty Research Ethics  
Committee**

**University of Leeds**

6 February 2015

Dear Anthony

**Title of study:** Returnee and non-returnee entrepreneur's capitals  
impact on entrepreneurial firm performance.

**Ethics  
reference:** AREA 14-080

I am pleased to inform you that the above research application has been reviewed by the ESSL, Environment and LUBS (AREA) Faculty Research Ethics Committee and following receipt of your response to the Committee's initial comments, I can confirm a favourable ethical opinion as of the date of this letter. The following documentation was considered:

Document	Version	Date
AREA 14-080 application.pdf	1	22/01/15
AREA 14-080 Ethical_Review_Form_revised.pdf	1	06/02/15

Please notify the committee if you intend to make any amendments to the original research as submitted at date of this approval, including changes to recruitment methodology. All changes must receive ethical approval prior to implementation. The amendment form is available at <http://ris.leeds.ac.uk/EthicsAmendment>.

Please note: You are expected to keep a record of all your approved documentation, as well as documents such as sample consent forms, and other documents relating to the study. This should be kept in your study file, which should be readily available for audit purposes. You will be given a two-week notice period if your project is to be audited. There is a checklist listing examples of documents to be kept which is available at <http://ris.leeds.ac.uk/EthicsAudits>.

We welcome feedback on your experience of the ethical review process and suggestions for improvement. Please email any comments to [ResearchEthics@leeds.ac.uk](mailto:ResearchEthics@leeds.ac.uk).

Yours sincerely

Jennifer Blaikie

Senior Research Ethics Administrator, Research & Innovation Service

On behalf of Dr Andrew Evans, Chair, [AREA Faculty Research Ethics Committee](#)

CC: Student's supervisor(s)

## Appendix 6

### Benefits derived from selected networks

	Frequency	Percent
Improves my firms' revenues	60	45.5
Benefits my employees	3	2.3
Dealing with government entities	15	11.4
Political participation	1	0.8
support mechanism in times of crisis	23	17.4
benefits the community	1	0.8
benefits the firms access to services	20	15.2
spiritual	7	5.3
Other	2	1.5
Total	132	100

Group1			Group2		
	Frequency	Valid Percent		Frequency	Valid Percent
finance	21	15.9	finance	14	10.6
Sales contacts	49	37.1	Sales contacts	35	26.5
permits	8	6.1	permits	15	11.4
New clients	36	27.3	New clients	46	34.8
technology	7	5.3	technology	7	5.3
Inputs/materials & services	4	3	Inputs/materials & services	9	6.8
other	7	5.3	other	6	4.5
Total	132	100	Total	132	100

## Appendix 7

### Entrepreneur's selection: two selected groups based on enterprise value.

#### Most important groups for business

	Frequency	Percent	Valid Percent	Cumulative Percent
<i>valid</i>	35	21.0	21.0	21.0
Industry groups	25	15.0	15.0	35.9
Other charity or social societies	2	1.2	1.2	37.1
Education group (e.g. parent-teacher association, committee)	8	4.8	4.8	41.9
Environment protection or natural resource group	5	3.0	3.0	44.9
Sports group	5	3.0	3.0	47.9
Civic group (e.g. Rotary Club, Red Cross)	1	.6	.6	48.5
Ethnic assoc./Family	10	6.0	6.0	54.5
Friends	18	10.8	10.8	65.3
Government associations	14	8.4	8.4	73.7
Traders or Business Association	17	10.2	10.2	83.8
Professional Association (doctors, teachers, veterans)	6	3.6	3.6	87.4
Trade Union or Labour Union	1	.6	.6	88.0
Neighbourhood/social	1	.6	.6	88.6
Religious or spiritual group	15	9.0	9.0	97.6
Political group or movement	1	.6	.6	98.2
Cultural group or association	3	1.8	1.8	100.0
Total	167	100.0	100.0	

END