



Repatriates as Entrepreneurs: Promoting Entrepreneurial Decisions Among Repatriates

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I. Introduction

International assignments and international transfers among organizations has emerged as a major business strategy among MNCs (Harvey & Moeller, 2009) for obvious competitive and administrative reason. Expatriates regard this as an opportunity of career advancement (Riusala & Suutari, 2000; Stahl et al., 2002). However, there is a body of literature that provide evidences that international assignment may not always result in improvement of repatriates (Burer, Schlepphorst & Werner, 2013; Stahl et al., 2002). Studies have also established that international assignments at times also create career related problems, such as repatriates failing to find suitable position in organization upon return, inadequate promotion or increments and lack of long-term career prospects and growth orientation in the organization (Stahl & Cerdin, 2004). Studies conducted with repatriates suggests that often repatriates have felt loss of autonomy, status and responsibility that they had earned at offshore (Stroh et al., 1998). The above cited reasons often results in high turnover intentions among the repatriates (Stroh et al., 1998). Studies have reported that turnover among repatriates can be as high as 49 percent (Black, Gregersen & Mendenhall, 1992; Birur & Muthiah, 2013).

Regardless of the evidences supporting this phenomenon, no research has been conducted questioning which career path these repatriates are likely to adopt, and what could be the long-term impact of their decisions on their career trajectory (Suutari & Brewster, 2003). It has been often argued that the repatriates may not only change their jobs but there is a possibility of repatriates taking up self-employment as a career choice by leveraging their acquired skills as an outcome of international assignment. Repatriates, defined as individuals who have worked in foreign countries for a substantial period and then returned to their home countries, have been recognized as an important channel for international knowledge diffusion beyond the traditional vehicles of trade and foreign direct investment. This trend of international human mobility is particularly important for developing countries, which have suffered a “brain drain” in the past but are now benefiting from a “brain circulation” of returnees who have accumulated advanced technological knowledge and business practices in developed countries. Upon repatriation therefore, they may display the entrepreneurial ability to identify and develop opportunities by taking advantage of their global social network which they had developed along with the acquired skills. There are some examples of repatriates who had developed their own business after returning, and become entrepreneurs, and played a pivotal role in economic growth of India, especially for the rise and development of high-tech industries. However, the antecedents of repatriate’s entrepreneurial decisions in the first place, which refers more specifically to the decision to pursue entrepreneurial opportunities and become entrepreneurs has not been researched. There is limited understanding of what drives returnee to pursue entrepreneurship. This is an important knowledge gap because returnees with advanced technical and business knowledge constitute an essential supply of entrepreneurial talent that drives high-tech industry growth and offsets the lack of local entrepreneurial expertise in emerging markets for high-tech entrepreneurship. Therefore, in this research it is proposed to not only identify the antecedents of repatriate’s entrepreneurial decisions but it is also proposed to develop a theoretical framework that can be used to motivate repatriates to initiate start-ups and adopt entrepreneurial career path. Author will review extant literature on HC and SC theories as well as on the Jack-of-all trades approach in respect to start-up entrepreneurs and repatriates. Existing relationships will then be identified, thus conceptually illustrating that repatriates could venture into self-employment and adequate evidences will be generated by studying successful cases of repatriates who have become entrepreneurs.

II. Literature Review

Kirzner (1973) introduced the concept of opportunity discovery and identified this as a core issue in entrepreneurship. Since then, entrepreneurship researchers have made numerous references to opportunity recognition but differ on terminology, definitions, major concepts, models and the operationalisation of the process (Hansen et al., 2011; Ardichvili et al., 2003). Despite the disparity of literature on this subject, researchers agree on the significance of opportunity recognition as a precondition for the successful establishment of business (Ardichvili et al., 2003; Shane and Venkataraman, 2000; Kirzner, 1973). The identification of the right opportunity distinguishes entrepreneurs from other individuals (Bygrave and Hofer, 1991).

It is mainly accepted that recognition per se does not mean that the identified opportunity develops into a feasible business. Ardichvili et al. (2003) therefore conclude that three distinct processes are essential:

1. detecting market niches
2. identifying a match between these market niches and the available and suitable resources
3. the realization of this match through a business strategy.

In other words, the recognition of an opportunity is not of value unless it is exploited (Baron, 2006; Ardichvili et al., 2003). It is thus rather referred to as opportunity recognition and development (Ardichvili et al., 2003).

In this regard, HC in form of knowledge and experience, as well as SC in form of existing personal networks are often discussed as major aspects that influence opportunity recognition and development. Overall, core results in this field show that “entrepreneurs’ personal networks and previous knowledge, based mainly on work-related experience, are key to the creation of (...) opportunities” [Casulli, (2009), p.35]. Furthermore, several studies indicate that the entrepreneur’s HC profile in terms of educational credentials, prior knowledge and workplace experience enhance the generation of ideas (Baron, 2006; Arenius and De Clerq, 2005). Baron (2006, p.112) established that “individuals with a broad range of work experience will have greater knowledge about particular industries, markets, technologies, government regulations, and competition than will persons with more limited experience.”

Additionally, SC networks have been found to facilitate the identification of opportunities (Singh et al., 1999) and to provide access to resources (such as information, financial or human resources) that can be utilized in order to exploit these opportunities (Davidsson and Honig, 2003; Anderson and Miller, 2003). Since social contacts provide additional information, for example, extended social contacts are accompanied by richer knowledge (Baron, 2006). Thus, any “(...) participation in more markets should increase the likelihood that a person will gain access to necessary information for opportunity discovery” [Shane, (2003), p.48]. The likelihood of identifying entrepreneurial opportunities also increases with geographical mobility (Delmar and Davidsson, 2000). Mobility can raise the wealth of experience, social contacts as well as access to a larger amount and variety of resources, and thus lead to the discovery and exploitation of opportunities.

HC endowment is traditionally operationalised using indicators such as educational attainment or work experience. For the purposes of this paper, this perspective does not satisfactorily emphasise all the important indicators. For this reason, based on the Jack-of-all trades theory (Lazear, 2004, 2005), the influence of an individual’s engagement in a variety of employment activities, and the broadness of his skills are also examined.

Figure 1 illustrates the (causal) relationships between the opportunity recognition and development approach and some of its prerequisites: HC, SC and characteristics of Jack-of-all trades.

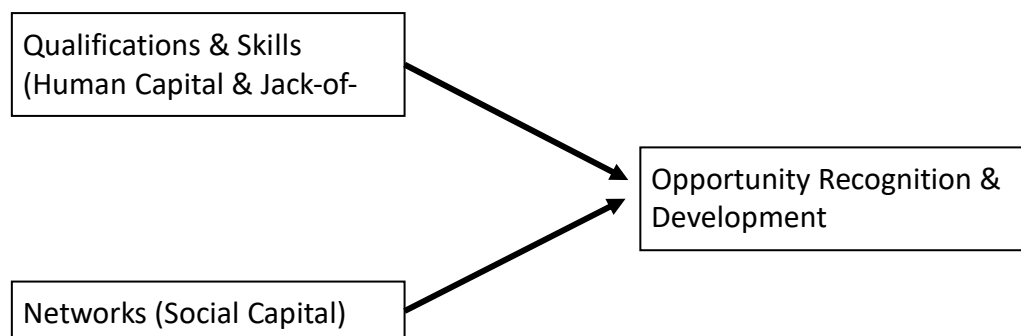


Figure 1. Factors influencing recognition & development of markets opportunities

It is proposed herein that repatriates possess qualifications and skills similar to those of start-up entrepreneurs and that both groups are endowed with a rich SC network that enables the identification of market opportunities and their development into viable businesses. The following research questions therefore sum up the aim of this discussion: Are the qualifications, capabilities as well as diversity and quality of repatriate

networks comparable to those of entrepreneurs? Following an international assignment, do repatriates possess the qualifications, skills and networks that can enable the identification and development of market opportunities and consequently enable them to go into self-employment? Investments in HC are in the form of schooling or on-the-job training, also referred to as formal HC and in the form of learning by doing or educational experiences, also referred to as informal HC (Moog, 2004; Mincer, 1974, 1962; Becker, 1964).

The popularity of this theory may be due to its extensive mechanisms (Brüderl et al., 1992). However, a review of existing literature on the main indicators of HC variables and their effects on the propensity to found new businesses mainly give ambiguous results. These discrepancies may be explained by the different emphases highlighted in the various studies, the distinctive measurements and the divergent samples. Lange (2010) further states that the conceptual categorization of the HC concept is also ambiguous.

The ensuing discussion shows some results of recent studies. All in all, entrepreneurship research concurs as far as the importance of HC endowment and its impact on the inclination to start-up is concerned (e.g., Backes-Gellner and Moog, 2008; Davidsson and Honig, 2003).

The indicator, formal education, on the propensity to found a new business does not show uniform results. For example, authors have questioned whether “formal education can affect the likelihood of entrepreneurial entry through (1) the acquisition of skills, (2) credentialing, and (3) sorting people by ambition and assertiveness” [Kim et al., (2006), p.8]. Besides Kim et al. (2006) submit that a deficiency will hinder entrepreneurial entry just as much as a surplus. However, apart from hard facts, basic school attendance develops abilities such as communicational and analytical skills, and although these skills do not guarantee the success of self-employed persons, they are necessary for entrepreneurial activities. One may also argue that employed persons need these skills just as much but overall, it may be concluded that advanced educational attainment correlates positively with entrepreneurial activities (Moog, 2004).

Experiences refer to those abilities acquired beyond formal schooling. Schultz (1980) finds that, compared to formal education, learning from experience is less helpful in technologically dynamic sectors. Entrepreneurship literature, however, generally supports the fact that experience does increase the likelihood of becoming an entrepreneur especially if nascent entrepreneurs.

- start their business activities in industries where they were previously employed – an obvious fact according to Evans’ and Leighton’s (1989)
- if they have gained a broad spectrum of experiences and abilities (Brüderl et al., 1992).

As founders are expected to carry out diverse forms of activities (Lichtenstein et al., 2007), a combination of diverse abilities appear to be most effective. Various high qualifications would not be necessary but basic knowledge in each of these various fields would provide entrepreneurs with a general and an entire overview of the business. Lazear (2004, 2005) refers to these new founders as, ‘Jack-of-all trades’. This implies that individuals with a comprehensive spectrum of qualifications tend to go into self-employment rather than those individuals with specific abilities (Lazear, 2004, 2005). Jack-of-all trades refers to the composition and accumulation of skills that determine the choice between an employed or a self-employed occupation. Lazear (2004, 2005) empirically supports the theory that individuals who innately have and invest in a variety of skills tend to be self-employed (Lazear, 2004, 2005). These individuals have been found to possess basic knowledge in various fields (Lazear, 2004, 2005). Although Silva (2007) disputes Lazear’s results, other studies have empirically confirmed the same relation [e.g., Wagner (2003) using a sample of the German workforce, and Åstebro and Thompson (2011) using a sample of Canadian inventor-entrepreneurs]. Backes-Gellner and Moog (2008) show similar results in their research on the willingness of German students to go into self-employment. They come to the conclusion that it is rather the balance of the individual skill sets than the level of their skills that increases students’ willingness to become entrepreneurs

Accordingly, when discussing an individuals’ disposition to go into self-employment, the HC theory is supplemented by the Jack-of-all trades theory to provide for the aspects discussed above. Prior involvement of repatriates in various activities during their international assignments may therefore also lead to the acquisition of a wider set of skills from various fields.

Prior to their foreign assignments, repatriates get screened and selected, at best, out of a pool of willing and available experts. As international assignments incur high financial and emotional costs, the selection process of the most competent employees, attempts to decrease the expatriate failure rate (Fink et al., 2005; Mendenhall et al., 1987). Furthermore, this stage is important because it reduces difficulties during the repatriation process (Harris, 1989).

Based on a comprehensive literature review, Mendenhall et al. (1987) conclude that the main selection criterion is the technical ability of the potential expatriate. Besides this, (see also, e.g., Anderson, 2005; Stone, 1991) some researchers focus on the expatriate’s communicative abilities, previously gained foreign experiences (Holopainen and Björkman, 2005), professional expertise, methodological and intercultural competence (Kühlmann and Huchttings, 2010), current efficiency in exercising the profession (Harris and Brewster, 1999) as well as the expatriate’s and family’s adaptability (Stone, 1991).

In general, only individuals with particular skills and qualifications, and the potential to establish or further develop or support the foreign office are selected. Additionally, this group of high potentials (e.g., Riusala and Suutari, 2000; Harris and Brewster, 1999) is well qualified and usually considers experiences gained abroad as opportunities to develop individual skills and expertise and to advance their careers (Suutari and Brewster, 2003; Riusala and Suutari, 2000; Tung, 1998; Harris, 1989). Furthermore, before an international transfer these employees receive relevant training, often to prepare them for the intercultural differences (Harris, 1989; Mendenhall et al., 1987). During their assignment these employees have to fulfil the company's requirements as well as the demands on-site (Kühlmann and Hutchings, 2010). "They have to handle business functions they normally do not touch and thereby learn to understand the interactions of the different functions" [Fink et al., (2005), p.34]. They are often given greater responsibilities (Tung, 1998), possess greater authority and a greater freedom in decision-making (Harris, 1989). In some cases expatriates are expected to fully manage subsidiaries. They therefore get acquainted to handling a business as a whole, gain leadership experiences as well as expertise that would not have been earned were they to remain in the home country (Tung, 1998).

The results of a Finnish study show that international assignees particularly, improve their skills in terms of comprehension of the global market, linguistic proficiency, social skills, self-assurance, professional competence and the generation of ideas by expanding their horizons (Riusala and Suutari, 2000). As suggested by Fink et al. (2005), the extensive and diverse tasks that expatriates have to fulfil, comprise of responsibilities that may qualify a repatriate to take over a management position [see also, Riusala and Suutari (2000)]. As Harris and Brewster (1999, p.489) cite Phillips (1992), "(...) there is little or no difference between the personal qualities required for success in managing domestic or international business, but successful development of international business demands a higher level of skills and qualities. This is because managers working abroad will be involved in a wider range of activities, roles and responsibilities than those required in the home market."

This implies that, in carrying out their duties and responsibilities during an international assignment, repatriates do not only acquire a high HC endowment but also a broad spectrum of diverse skills and abilities (Fink et al., 2005). They become generalists and can therefore be referred to as Jack-of-all trades. In summary, it is argued that repatriates take up the role of a Jack-of-all trades and have a high HC endowment because:

- a) as foreign assignment candidates they must display high qualifications
- b) the preparation for an assignment provides them with additional forms of HC
- c) the assignment itself expands the expatriates' knowledge
- d) the assignment broadens his skill set.

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