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The role of returnee entrepreneurs

Title: The role of returnee entrepreneurs in the internationalisation of SMEs in China

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Summary:

Traditional SME internationalisation research is mainly conducted in developed countries. The potential of SME family firms in emerging economies, regardless of their substantial contribution to economic growth, have generally been ignored by research. This study tries to provide a link between returnee entrepreneurs, SME internationalisation and family firms based on the evidence from China. The findings reveal that the human capital of returnee entrepreneurs, such as international education background, international working experience, and management know-how positively influence the internationalisation of family SMEs. However, the influence of human capital brought by returnee entrepreneurs to the family firms' internationalisation is indirect, through new management. Returnee entrepreneurs need a re-adjustment period to adapt overseas human capital to Chinese market circumstances. This study also found that a born-again global pathway can be an indirect result of the second-generation returnee entrepreneurs' human capital.

Key words: returnee entrepreneurs, SME internationalisation, family business.

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1. Introduction

Research of the internationalisation of small and medium sized enterprises (SMEs) has attracted substantial research interest over the last decades (Knight & Liesch, 2016; García-Cabrera, García-Soto, & Durán-Herrera, 2016; Ngoma et al., 2017), although traditional internationalisation studies are more focussed on multinational corporations (Oviatt & McDougall, 1994; Laanti, McDougall, & Baume, 2009; Mathews & Zander, 2007). The literature on the internationalisation of SMEs is mainly conducted in the UK and other developing countries (Liu, Lin, & Cheng, 2011; Oviatt & McDougall, 2005; Tsang, 2002). This topic is less-researched in emerging countries (Ruzzier et al., 2007), with only a few researchers looking at the internationalisation of privately-owned SMEs in countries like China (Tsang, 2002; Xiao & Liu, 2015). In addition, although SME family firms have played a major role towards economic growth in emerging economies like China (Lin, 2012; Deng & Wu, 2017), the internationalisation of such firms has been generally neglected by research.

Returnees, in particular those who study in developed countries, such as the US or the UK, and return to their home countries in the emerging markets have captured the attention of many scholars across different disciplines (Cui, Li, Meyer, & Li, 2015; Liu, Wright, & Filatotchev, 2015; Ma, Zhu, Meng, & Teng, 2019). These studies link the role of returnees to the globalisation of markets and international labour movements. In this context, the literature of human capital (Becker, 1994) extensively covers resources and capabilities of firms (Bosma et al., 2004; Davidsson & Honig, 2003), but it is seldom linked to internationalisation (Javalgi & Todd, 2011).

This study seeks to make contributions to both human capital theory and international entrepreneurship theory by providing a link between returnee entrepreneurs, SME internationalisation and family businesses in the context of a large emerging economy, China. We explore how the human capital of returnee entrepreneurs, such as international education background (Filatotchev et al., 2009), international work experience (Castanias & Helfat, 2001) and management know-how based on industry know-how (Liu et al., 2015; Qin, Wright, & Gao, 2017), influence their firms' internationalisation choices and performance under the family and the non-family firm context, trying to achieve the following objectives.

1. Determine the motivations and reasons why returnee entrepreneurs decide to return to China to create an enterprise or work in family firms rather than remain in a foreign country to work.
2. Explore if the human capital brought from abroad by returnee entrepreneurs has an influence on the international operations of their firms, looking at its positive and negative effects.
3. Identify how the human capital has changed returnee entrepreneurs' perceptions of internationalisation, the conflicts that emerge because of it in the family firm context and their solution.

2. Research background

a. Research context

The research is conducted in two cities in the Zhejiang province of China. The south-eastern province of Zhejiang is chosen because it is believed to be a successful example of the economic transition from a socialist planned economy to the socialist market economy (Zhou, Wu, & Luo, 2007). Moreover, the people in this coastline province are believed to be the most entrepreneurial,

and its enterprises are more international orientated (Zhou et al., 2007). The two cities, Wenzhou and Hangzhou are chosen since the researcher has profound family kinship and personal networks there.

The enterprises this study aims to explore are SMEs. SMEs have different definitions between Europe and China. In Europe, SMEs refers to those enterprises employing less than 250 staffs; or having an annual balance sheet of less than €43 million (£37 million); or having an annual turnover of less than €50 million (£44 million) (European Commission, 2016, p.10). However, in China, SMEs refers to those enterprises employing less than 2000 staffs; or having an annual revenue not exceeding 300 million Yuan (£34 million); or the value of total assets is not exceeding 400 million Yuan (£45 million) (Zeng, Xie, & Tam, 2010; Zhang, Ma, & Wang, 2012). Since this study is conducted in China, and the industries in this study includes manufacturing, which is labour-intensive, we decided to choose the staff member standard in the Chinese SME definition as the only sampling measurement, as the former studies have demonstrated the difficulties to get the financial data of private firms in China (Xie, Zeng, Peng, & Tam, 2013).

b. Returnee entrepreneurs

A 'returnee entrepreneur' refers to an entrepreneur who has worked or studied in one or more other countries, but has decided to return to China to start a new venture (Qin, Wright, & Gao, 2017). The returnee entrepreneurs mentioned in this study refers especially to two groups of those Chinese returnee students, those who create a new corporation related to internationalisation back to China, or those who worked in their parents' family firm doing international business or building a new international family firm with their siblings.

It is reported that there were 2.2 million Chinese students going abroad at the end of 2015, and among them are over 500, 000 people are returning back home (Natalie, 2017). The family needs related to marriage and childbirth is a major reason for returning (Wang & Fan, 2006). In addition, the difficulty to obtain job visas in developed countries, such as the UK, and the rather prosperous working opportunities in the home country accelerate the returnee population (Natalie, 2017). Recently, management researchers have found out that returnee entrepreneurs have a higher level of export intensity and innovative performance in the created new firms than those firms founded by the locals (Filatotchev et al., 2009; Li, et al., 2012). However, with their obvious advantages, returnee entrepreneurs also possess numerous disadvantages which would affect their internationalisation performance. Living abroad for a long period of time, the returnee may have few connections with the local institutions, and their local personal networks would have faded due to distance and time (Lin et al., 2018). Additionally, they may not have a good understanding about social, economic and political change in their home country because of the rapid development of the emerging markets, and they may also not fully understand how to deal business in the local environment (Liu, Wright, & Filatotchev, 2015). There are more studies exploring how returnees use foreign knowledge in the high-tech industry entrepreneurship (Filatotchev et al., 2009; Liu et al., 2015), but we do not know enough about the challenges returnee entrepreneurs face to overcome the differences between their experience abroad and business in China.

c. *The internationalisation of Chinese SME family firms*

After the economic reform in 1980 let the private enterprises enter the Chinese market, SMEs have become an important economic force in the Chinese economy (Xiao & Liu, 2015). In 2015, SMEs

have occupied 97.9% of all the enterprises registered in China (Richard, 2017). Statista (2019) reports that there are approximately 34.37 million SMEs in China by the end of 2018. The development of transportation methods and communication equipment, as well as the increasing global awareness in the international market, have greatly accelerated the SME internationalisation (Marie & Suleika, 2015). About 85% of private firms in China are family-owned (Chinese Private economy Research Group, 2011). Nearly 80% of domestic Chinese family enterprises exported their products and services in 2016 (Nian, 2016). In the family business internationalisation literature, it demonstrates that family firms are less likely to internationalise (Kontinen & Ojala, 2010), because family firms have a less structured and formal way to collect information, with a highly centralized management control and decision-making process (Tsang, 2002). However, after China entered the WTO in 2001, internationalisation has become one of the top choices for the development of SME family firms in China (Xiao & Liu, 2015). What would influence the second-generation's decision-making in the process of family firm internationalisation is something this study is trying to answer from the perspective of human capital.

3. Theoretical propositions

a. Theoretical framework

The term 'human capital' was first mentioned by Schultz (1961). It can grow through two methods, that is, schooling and on-the-job-training (Becker, 1962). Human capital can be divided into general human capital and specific human capital. General human capital refers to the knowledge and skills that can be easier to be applied and transferred (Becker, 1993). This includes entrepreneurs' gender, age, education background and working experience (Cooper, Gimeno-Gascon, & Woo, 1994). Specific human capital refers to the knowledge and skills that cannot be easily transferred and is less applicable (Gimeno, et al., 1997). The knowledge of entrepreneurs can also be divided as tacit knowledge ('know-how') and explicit knowledge ('know-what') (Honig & Davidsson, 2000). The example of the tacit knowledge can be possessing the capability to run an actual business in a specific market, and the explicit dimension can be obtaining the related knowledge about that market from a business class (Ruzzier et al., 2007). Human capital can be linked with entrepreneurship. Entrepreneurship involves knowledge-based activities; however, the inheritance of knowledge is usually uncertain (Audretsch & Thurik, 2000). But this uncertainty can be solved in the process of creating a new venture, which is a process of using and transferring the existing human capital, and produce and accelerate emerging human capital. Consequently, using human capital theory to explain the entrepreneurship question of how returnee entrepreneurs transfer foreign knowledge and skills in the domestic Chinese business world would be reasonable.

International Entrepreneurship (IE) is a new area across international business and entrepreneurship (Allen, 2016). Academic researchers have a different debate about the definition of internationalisation; here the researcher combined the definition of Jones and Coviello (2005) and Kuivalainen, Saarenketo, and Puumalainen (2012) and defined the 'internationalisation' as a firm-level activity across the country border during a specific period of time. IE is defined as 'a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organisations' (McDougall & Oviatt, 2000, p. 903). The IE literature has recognized three pathways towards internationalisation, they are the Uppsala stage model (Johanson & Vahlne, 1977), the born-global model (Oviatt & McDougall, 1994) and the born-

again global model (Bell, McNaughton, & Young, 2001), which can all be linked with human capital theory.

The gradual internationalisation pattern of the Uppsala model emphasises two processes in the internationalisation. Firstly, it refers to an incremental learning process of knowledge in the target market in order to achieve internationalisation (Johanson & Vahlne, 1977). Secondly, it demonstrates that the corporations would tend to internationalise to a less-psychic-distant country, before entering into a more remote market (Onkelinx, Manolova, & Edelman, 2016). From the Uppsala model's perspective, the Chinese SME family firm would employ returnee entrepreneurs, absorb their human capital, such as their gained overseas knowledge and skills, and accumulate necessary international market information, in order to internationalise incrementally.

The accelerated internationalisation pattern of born-global model or international new venture model refers to a new venture which is capable to internationalise within less than 3 years (Zahra, Ireland, & Hitt, 2000), or 6 years (Brush, 2012) from its inception respectively. Born-global firms are usually within the knowledge-based industry, since they need a long period of preparation activities before the inception, and target at global niches utilising their knowledge and technology (Bell, et al., 2003). It has been proved that returnee entrepreneurs belong to such a group having a high possibility to possess foreign high technology and specific knowledge, as derivatives of their human capital, which is not accessible in the domestic Chinese market (Filatotchev et al., 2009).

The late and dedicated internationalisation patterns of the born-again global model refer to those enterprises which exist in the domestic market for years but internationalise rapidly because of a series of trigger events (Bell, McNaughton, & Young, 2001). Empirical evidence has proved that generational succession of the family business could be one trigger event leading to born-again internationalisation pathway (Graves & Thomas, 2008; Kontinen & Ojala, 2010). As a result of accelerated human capital, such as multi-cultural educational background and international experience of living abroad for years, second-generation of returnee entrepreneurs are more likely to have an export orientation than older-generations (Zaniewska, 2013), and regard achieving family firm internationalisation as self-actualisation (Segaro, 2012).

b. Research propositions

Learning ability is proved to be an important capability in an incremental internationalisation pathway (Oviatt & McDougall, 1994). In Vanhonacker, Zweig, and Chung's (2005) study, returnee entrepreneurs are found to have a higher learning ability compared to local entrepreneurs since they got higher degrees, such as MBAs or PhDs. Possessing a higher learning ability from their international education means returnee entrepreneurs are more likely to seize the international opportunities and obtain enough market information to the target market in order to compete for the incremental international pathway (Vahlne & Johanson, 2017). The born-global literature demonstrates that early internationalisation orientation is related to entrepreneurs' pre-existing knowledge and education background since the founder's characteristics are determining factors influence if he or she would decide to choose a rapid entry to the international market (Cavusgil & Knight, 2015). Mental models, dynamic entrepreneurship-related capabilities and qualities would largely influence the speed for founders to recognise and exploit opportunities in the global market from the firm's inception. As mentioned before, receiving a higher education, the second-generation are more likely to have an export orientation than the old generation, which

demonstrates that a generational succession is a trigger event toward born-again international pathway (Graves & Thomas, 2008; Kontinen & Ojala, 2010). Thus, we have the following proposition:

Proposition 1: The international education background of the returnee entrepreneurs may influence their decision-making in the process of internationalisation.

Past working experience cannot only provide returnee entrepreneurs with abundant business-related information about international opportunities (Dimov, 2010), but also assists returnee entrepreneur to assess the potential risk in the international market, and make a rapid response strategy (Shane, 2001). Previous exposure to foreign markets would let the returnee entrepreneurs have a global vision, consequently, they would be more likely to have a motivation to internationalise their business in the future (Filatotchev et al., 2009). However, those entrepreneurs who rely too much on the past working experience would more tend to ignore the change in the industry and external environment, which would make them be reluctant to make a change to the current business circumstance (March 1991). This leads to following proposition:

Proposition 2: The international working experience of the returnee entrepreneurs may affect their decision-making in the process of internationalisation.

Knowledge not only refers to the market information but also includes information related to the industry, product and service. Industry know-how refers to a specific human capital originated from past experience to an industry of a particular line of business (Cooper et al., 1994). As mentioned before, working experience is measured by the years of work, which includes the years of managing people (Bates, 1990). The researcher assumes that management know-how based on industry know-how is related to the Uppsala international pathway and born-global international pathway. Returnee entrepreneurs would first accumulate industry know-how about the products and services in the domestic and international markets from their past working experience. Their management know-how would help returnee entrepreneurs to identify and obtain external resources and build interpersonal networks in the industry (Vatne, 1995), in order to mutually-transfer the industry know-how between domestic Chinese market and the target foreign market and complete the process of incremental internationalisation. However, if the returnee entrepreneur completes most of transformation and adjustment process in the prior preparation activities before the inception, it would be a born-global internationalisation pathway (Bell et al., 2003). This leads to the following proposition:

Proposition 3: The management know-how based on industry know-how of returnee entrepreneurs may influence their decision-making in the process of internationalisation.

The Figure 1 below shows the structure of the theoretical framework.

Insert Figure 1 about here

4. Methodology

This study has chosen a qualitative multiple case study method. A case study is defined as an empirical inquiry that explores a contemporary phenomenon in the real-life circumstance when the boundaries between the context and the phenomenon are not so clear (Yin, 2003). A multiple case study is to repeat scientific experiments in order to test if the theory holds correct under a consistent context (Yin, 2009). The case study is chosen because it is especially good at answering 'how' and 'why' questions (Parker et al., 2009). Additionally, this study would use a cross-case analysis. The steps of cross-case analysis can be constructing an explanation for each single case, and modify the original explanation in new cases at an acceptable level, to establish cross-case patterns (Yin, 1981).

Multiple data collection methods, the main one being a semi-structured in-depth interview, complemented with participant observation, and secondary data collection through archives have been used in this study. Semi-structured in-depth interviews were chosen to allow the researcher to prepare some general questions in the interview schedule and be free to probe further questions later in the interview (Bryman & Bell, 2015). Apart from the interview, as a participant observer, the researcher has observed participants' behaviours, listened to their conversations in the interview (Cornwall & Jewkes, 1995), as well as collected secondary data on the archive, company annual report, and advertising brochures (Calantone & Vickery, 2010). This research has collected 10 interviews of returnee entrepreneurs during August 2018. A bilingual interview draft in Mandarin and English was prepared in advance in July.

The participants were informed about the aims of the search, and signed permission sought to record the interviews (Malhotra, 2008). The interviews were conducted in Mandarin and lasted between 31 minutes to 66 minutes; and transcribed and translated into English during October 2018. In total over 65,000 words were in the transcriptions, and an average per interview transcription contains over 6,000 words.

Some researchers argue that the dual role as translator/researcher put the researcher in a better position in the analysing of the data, since the researcher is more aware of the social and emotional aspects of the participants, and is already analysing and thinking about the meaning of what they said during translation (Kvale & Brinkmann, 2009; Temple & Young, 2004). However, it is still doubted that if it is suitable to conduct the translation by researchers themselves in the cross-language project (Phelan & Parkman, 1995). We believe that the translation process offers an opportunity to pay attention to the cultural difference of the texts, try to domesticate the Chinese words and give a most suitable inter-cultural explanation of the complex social phenomena to English-speaking readers (Xian, 2008).

This study used a theoretical sampling combined with snow-balling sampling due to three challenges to reach the target participants. Firstly, although the population of returnee entrepreneurs are increasing (Li et al., 2012), they are still a rare population in the Chinese national context. Second, most private family firms and returnee entrepreneurs are unregistered in the official documents (Beauchemin & González-Ferrer, 2011). Third, it is hard to build trust and get permission to interview private company owners or employees. Snow-balling sampling means the researchers first establish contact with a small group of people that are related to the research, and then use them to make contacts with others (Bryman & Bell, 2015). One of the researchers first

attended a Zhejiang region trade meeting in London in June 2018 and knew some potential industry-insiders and staffs in the Bureau of Human Resources and Social Security of Wenzhou. Further attempts included attending activities held by Wenzhou Federation of Returned Overseas Chinese and Wenzhou Commercial Oversea Student Association in August 2018. Introduced by their trusted acquaintances or known through the community, the returnee entrepreneurs would regard the researcher as one part in their guanxi-networks, which offers the researcher more trustiness and reliance (Tsang, 1998; Yeung & Tung, 1996). ‘Guanxi’ refers to informal relationships or network, which can be used to make things done under Chinese context (Alon et al., 2011). Possessing profound and lasting guanxi-networks is proved to be the top determinant to do international business successfully in Chinese business world (Gittins & Fink, 2015; Tsang, 2001; Zhou et al., 2007). Speaking the same dialect helps the researcher to build trust and cultivate guanxi-networks with the local returnee entrepreneurs, in order to be easier to obtain the interview permission (Yang, 1994). In this study, theoretical sampling means that we purposely chose the sample related to the concepts derived from the theory (Eisenhardt, 1989), based on the potential firms introduced by other people through guanxi-networks. The samples must meet the following four general criteria and one of the four family business definition criteria according to theoretical sampling, and be divided into the family and non-family group.

1. If it is a non-family firm, at least one of the entrepreneurs must be a returnee, or if it is a family firm, one of the second-generation in top management positions must be a returnee;
2. The firm must involve an exporting business with an exporting percentage over than 5%;
3. The staff number of the firm must not exceed 2000 according to Chinese standard of SMEs (Zeng, Xie, & Tam, 2010; Zhang, Ma, & Wang, 2012);
4. If it is a family firm, it needs to meet the definition of a family firm according to Westhead and Cowling (1998, p. 39):
5. ‘Whether the Chief Executive/ Managing Director/ Chairperson regarded their company as being a family business;
6. Whether the majority of ordinary voting shares in the company were owned by members of the largest family group related by blood or marriage;
7. Whether the management team in the company was comprised primarily of members drawn from the single dominant family group who owned the business;
8. And whether the company had experienced an intergeneration ownership transition to a second or later generation of family members drawn from a single dominant family group owning the business.’

The information about the snow-balling sampling channels and interview time is concluded in Table 1.

Insert Table 1 about here

This research has used Nvivo 11 because a digital analysis package can largely simplify the time-consuming sorting, recognising, coding and visualising process of data (Bazeley & Jackson, 2013). We used a combination of manual and computer-assisted coding analysis method (Welsh, 2002). Coding means to generate related themes or phrase to summarise the meaning of the data (Saldaña, 2015). It is easier to code text on the screen and store every single code into a node in Nvivo11. On the contrast, it is easier to manually write on a note and link all the memos together. Due to a further in-depth study of Nvivo 11, the researcher did the coding twice during November 2018 to minimum the influence of computer analysis error, and further code the transcriptions to generate new nodes.

5. Analysis

One of the researchers conducted 10 interviews (4 female and 6 male). The 10 cases are divided into two groups: family (7 cases) and non-family (3 cases)). The cases are involved in 3 industries: Manufacturing (50%), Retailing (30%), and Service (20%). From the data, we found that the reasons why returnee entrepreneurs choose to return included, the difficulty to get a visa, a family reason such as a family reunion and reaching an age to get married, do not like the foreign environment or lifestyle and feel lonely, China has more job potential and having a family business to succeed.

a. *International education background*

As for Proposition 1, we found that the relatedness of the field of study has a positive connection with the industry. We divided the majors of the participants into 5 categories, industry-related, business-related, language, art & design and international politics, and mapped them with the three industries (Table 2). From this table, the researchers found that 80% of the majors matches with the industry. Secondly, full-matched participants in industry-related majors have a greater possibility to come from successful manufacturing family firms. Thirdly, those participants doing international retailing business, all possess a business-related or international politics background with fluent foreign language ability.

Insert Table 2 about here

In order to further explore the relationship between the education background and differences of internationalisation, we extended the definition of 'education background' into 'major', 'studied country', and 'degree', and extended 'the differences of internationalisation' into 'internationalisation pathway', 'export percentage', 'internationalisation speed', and 'entry mode', and finally getting Table 3 in Nvivo 11.

Insert Table 3 about here

From Table 3, we found that the export percentage is not related to the education background. As for the major, we found that industry-related major participants tend to favour an Uppsala pathway. Business-related major participants more favour a born-global pathway, and choose more advanced entry modes. As for studied country, participants who studied in Japan internationalise faster (2 cases less than 1 month), and more favour born-global pathway. Participants studied in the UK, choose more various pathway (even one case in born-again global) and entry modes. As for the degree, a lower degree of bachelor participants internationalise faster, favour more born-global firms, and choose more advanced entry modes. In other words, participants from a different major, and country background have different preferences of internationalisation choice.

After studying abroad, returnee entrepreneurs have a new perception of particular ability, such as communication and expression ability mentioned by Participant E. And he has provided training and new skill development toward this particular ability related to international business.

Participant E: I found that the domestic graduates have a big difference compared with returnee graduates ... in the communication and expression ability... So in the later recruiting of new staffs, I would pay attention to those people who have this communication ability, or I would cultivate those people who have this talent in talking the PPT (PowerPoint).

All in all, proposition 1 that international education background would have an influence on the decision-making of internationalisation has been proved.

b. *International working experience*

As for Proposition 2, from Table 4, we can know that among the 10 participants, 7 have international job experience. 3 participants have a part-time job as a waiter/ waitress or teaching assistant, 2 participants have an internship, and only 2 participants have official jobs for more than 2 years. In other words, most of the job content of returnee entrepreneurs are repeated boring jobs, and none of them has a job as a manager. Only one participant working as a dealer of a cosmetic company is doing an entrepreneurship-type creative job. As for country, returnee entrepreneurs who studied at the UK are less likely to get an official job since the working application in the UK is very . Returnee entrepreneurs who come from Japan found it easier to get a job, but all of them think the job content is tiring and boring.

Insert Table 4 about here

Most of the returnee entrepreneurs regard international working experience is valuable or useful for them, but they consider it is less important to their internationalisation business.

The role of returnee entrepreneurs

Participant H: I think the international working experience helped me regards to the improvement of language and working experience with foreigners.

Participant I: I think whether the person has the international working experience or not would only make him or she communicate with the firm more smoothly, but would not influence the final result of the business.

International working experience maybe does not directly link with the internationalisation of the returnee entrepreneurs' business in their perception, but it indeed brings some change and inspirations to the organisation of the company, such as the promotion of email and format of the meeting.

Participant E: There are several things that I learned from the working experience. I know how the foreign company manage the things and the staffs in the firm, such as information management in e-mails.

Participant H: In the foreign countries, the meeting is very relaxing and all the attendants are in the equal relationship. I have brought this form of meeting into my work now.

All in all, proposition 2 that international working experience would have an influence on the decision-making of internationalisation has been proved.

c. Management know-how based on industry know-how

Most of the returnee entrepreneurs hold a positive attitude about sharing their experience with their staffs. However, during the process of sharing the knowledge, there also exist obstacles. Participant H complains that he lacks a 'professional forum and professional meeting' to communicate the latest knowledge in the industry. It needs to be mentioned that the most commonly-mentioned difficulties in a family firm group are 'resisting force' of staffs to the new knowledge and new change.

Participant B: For some idea, which is very common in foreign company and auto parts company, it is quite difficult to spread within our firm. Whatever the change is, there is a resisting force to prevent the change.

However, returnee entrepreneurs in family firms also have ways to overcome them.

Participant E: The most important thing is how to persist in implement the change. Additionally, change the mind of the middle-level managers and senior managers, let them change first. If they change their habits, the staffs would follow their bosses.

The most common competitive advantage investigated in the 10 cases in this study are a special market niche and providing 'a quality product at a reasonable price'. Only one participant mentioned about their technology are coming from the joint venture mother company in the USA,

but it is not brought from the returnee entrepreneur. Consequently, returnee entrepreneurs in this study do not particular own a technology advantage in their industries.

The researcher also concludes four characteristics of Chinese returnee entrepreneurs' foreign customers in the international market: loyalty to the supplier, instant payment, high request for the quality, and care for management style. However, this high requirement of management style would cause a challenge for a family firm.

Participant B (Son from a 36-year-old family firm): The foreign customer would say that ' I approve your product and there is no problem for the products that you send to us, but when I see your management style, I do not think that all the products you made would have the same quality of this product.'

All in all, most of the participants agreed that management know-how based on industry know-how would have an influence on the decision-making of internationalisation, so Proposition 3 is supported.

6. Discussion and Findings

After combining the data analysis in the last sector and calculating returnee entrepreneurs' feedback about the importance of the 3 propositions to the internationalisation of their venture, we made the Table 5. It demonstrates that the international education background is the most important element to the internationalisation of returnee entrepreneurs' firms. Management know-how based on industry know-how are of moderate important. International working experience is less important to the internationalisation of the firm.

Insert Table 5 about here

This study pointed out that the international education background of returnee entrepreneurs is related with the internationalisation performance of their firms, which is similar with the finding in other studies (Davidsson & Honig, 2003; Wright et al.,2008). However, although the existing literature mentioned about education acquired overseas is significantly related to entrepreneurial activities (Ma et al.,2019), less is discussed about if and how a specific element in international education background, such as studied country, major and degree would influence returnee entrepreneurs' decision-making in international entry mode, internationalisation speed and internationalisation pathway. This study provided rich empirical evidence to it and showed that international strategy is a comprehensive decision influenced by factors such as contacts with overseas visitors, knowledge of foreign competitors, language skills and experience in a foreign country (Lloyd-Reason & Mughan, 2002).

The study found that returnee entrepreneurs who studied in different countries have different internationalisation performance. The reason why returnee entrepreneurs studied in the UK choose more various entry modes and internationalisation pathways is because the education system in the UK provides more respect upon individualism and is more tolerant. Compared with the UK,

the Japanese education system prefers efficiency and rapid achievement, and that is why participants studied in Japan all chose to internationalise rapidly within one month and completed a born-global internationalisation pathway.

There is a link between the ‘major’ of returnee entrepreneurs and their firms’ internationalisation performance. The reason why industry-related major participants favour an Uppsala pathway is because these second generations come from old manufacturing family firms with an approximately 30-year history. The reason of why business-related major participants favour a born-global pathway is because these returnee entrepreneurs founded their family firms or entrepreneurial firms comparatively recently within ten years. This preferred pathway change trend of family firms was first mentioned in the family firm internationalisation literature by Kontinen and Ojala (2010). It was proved by Stieg et al., (2017) that the traditional internationalisation pathway of family firms is a stepwise process, that is the Uppsala stage model, however, recent 10 years, more family firms conducted a born-global pathway.

Results showed that those low-end manufacturing industries more favoured an Uppsala stage pathway by internationalising step by step, replacing agency sale to direct export, which agrees with the industry sector assumption of Uppsala stage model in Johanson and Vahlne (2009). Results showed that one high-tech manufacturing participant firm, other service firms and international retailing agency firms all favoured a born-global pathway (See Table 6), which agrees with the description of born-global firms in Weerawardena et al.,(2007), that whether born-global firms are in high-tech, low-tech or non-tech industries, they must create innovative values in one area. In this study, they are firms either possessing partner’s American technology, or selling products through digital platforms, such as Chinese social media Wechat and global app AliExpress, or selling unique service concepts such as overseas medical tours.

Insert Table 6 about here

This study provided one empirical example that a UK Master returnee entrepreneur began to export the products after one year upon his return in 2006 when he started to be in charge of his family business that makes domestic buttons. This is strong evidence of Graves and Thomas (2008) and Kontinen and Ojala (2010)’s study, that generational succession is indeed a trigger for a born-again global pathway. The returnee entrepreneur stated that living experience abroad gave him more courage to attend the international trade meeting abroad, and the improved language skill helped him to communicate with the foreign customers directly. This advances the findings of Sinkula, Baker, & Noordewier’s (1997) study. They state that with a higher learning ability from the international education, returnee entrepreneurs are more likely to gain an in-depth understanding of the market, and identify more opportunities in the potential market. It demonstrates that born-again global pathway in the family firm can be an indirect result of the second-generation returnee entrepreneur’ s overseas human capital.

To our surprise, the result of this study showed that returnee entrepreneurs with a bachelor degree internationalised faster with superior entry modes and a higher export percentage than those

returnee entrepreneurs with a Masters degrees. This finding can be act as a supplement of the combination findings of Ucbasaran, Westhead and Wright (2008) and Qin et. al (2017)'s study, that returnee entrepreneurs with higher education not always have better internationalisation performance such as entering international markets faster. Since having abundant explicit knowledge in class about a specific market does not mean that higher-degree returnee entrepreneurs have sufficient tacit knowledge or the ability to run an actual business in that market (Ruzzier et al., 2007). More Master returnee entrepreneurs worked in Uppsala-stage-pathway family firms, since their parents have already internationalised their family business, and they were more willing to support second-generation's educational prospects.

Through filling the Table 7, the researcher summarised the unique exposure and the tacit knowledge returnee entrepreneurs gained from their international experience. Returnee entrepreneurs improved their language skills, and obtained an in-depth understanding towards the culture of the target market after working with native residents. Group discussions in University seminars and working places have helped returnee entrepreneurs improve their communication and expression abilities. Other tacit knowledge obtained via the opportunity of international education include acquiring a global business perspective after taking a part-time job in a global firm and maintaining critical thinking after receiving a foreign education.

Insert Table 7 about here

The findings in this study explain that the international working experience indirectly influences internationalisation performance of the firm and is a breakthrough over prior literature which only shows a vague relationship (Filatotchev et al., 2009; Shane, 2001). Most of the returnee entrepreneurs in this study are doing a repetitive and boring part-time job, and only two participants got an official job. All of them work as employees rather than managers. Consequently, the influence of international working experience on the international performance of the firm is limited and indirectly, only through new management forms of the organisation. Participant H's response proved the Ma et al. (2019)'s assumption that returnee entrepreneurs who worked abroad would more likely to improve their language skills as well as cross-cultural experience in general.

Returnee entrepreneurs indeed bring management revolutions to their firms. International working experience may assist the returnee entrepreneurs to build lens-like cognitive structures which influence how they see the business world (Miller, 1993; Ucbasaran, Westhead, & Wright, 2009). Participants E and H saw the weakness of traditional Chinese meetings, and brought the high-efficiency and equal relationship in Western-style meetings to their firms. International working experience also provides returnee entrepreneurs with abundant advanced information and concepts in technology and organisation (Dimov, 2010; Shepherd, Douglas, & Shanley, 2000). Consequently, Participant E insisted to promote email management throughout his family firm as a part of digital management strategy in order to improve firm working efficiency.

This study confirms that returnee entrepreneurs may find it is difficult to re-integrate into the home society. They have left their home countries for years and may face a different level of

readjustment problems when returning to their home countries (Gaw, 1995; Szkudlarek, 2010). Their overseas human capital may be a misfit with the local Chinese business circumstances (Wu & Ma, 2018), especially in family business. We also found that when returnee entrepreneurs try to share their knowledge in management know-how or industry know-how they learn from abroad, they face a 'resisting force' in the family firm. Our participants choose different strategies. A similar conclusion to the literature has been found that the decision-making style toward internationalisation from returnee entrepreneurs in family firms more intend to be risk-averse (Gomez-Mejia, Nunez-Nickel, & Gutierrez, 2001). This is because entrepreneurs in the emerging market have rather less experience in the international market (Bhaumik et al., 2010), concerns toward survival and fear of losing socio-emotional wealth (Berrone, Cruz, & Gomez-Mejia, 2012). This study has found out that the key to narrow down the gap with older-generation and successfully pass the readjustment period is finding a proper way to communicate, more understand and respect the older generation in the family business, and find a suitable way to domesticate overseas human capital according to Chinese local business circumstance.

7. Conclusion

Human capital has an influence on the returnee entrepreneurs' decision-making towards the internationalisation. This influence may bring some obstacles to them at first, such as it may produce a perception gap toward internationalisation between returnee entrepreneurs and first-generations. However, it is important to find a communication way with the older generation and respect their ideas. All in all, it seems that it brings more positive influences than negative ones after a re-adjustment period.

This study has two theoretical contributions. Firstly, it advanced the existing literature of human capital by combining the theories of human capital theory and international entrepreneurship theory, and demonstrated the positive influence of international education background (Filatotchev et al., 2009), international working experience (Castanias & Helfat, 2001) and management know-how based on industry know-how (Liu et al., 2015; Qin, Wright, & Gao, 2017) on returnee entrepreneurs of their internationalising operations after return. On the one hand, this study points out the rationale behind the influence of international education background on returnee entrepreneurs can be explained by returnee entrepreneurs studied in a different country, major, or degree would influence their decision-making toward internationalisation, and indirectly affect the internationalisation speed, entry modes and internationalisation pathways. On the other hand, the indirect influence of overseas human capital affects Chinese SME family firms by providing new management perceptions and inspirations to them, such as email management and Western-style meeting format. However, the returnee entrepreneurs need a re-adjustment period to negotiate with the 'resisting force' in the family firms and domesticate the overseas human capital under Chinese market context (Szkudlarek, 2010; Wu & Ma, 2018).

Secondly, this study adds empirical data of born-again global, which enriches the internationalisation entrepreneurship study regarding family firm from the perspective of human capital theory, since the data and finding of the born-again global firm is quite rare (Schueffel, Baldegger, & Amann, 2014; Stieg, Hiebl, Kraus, Schüssler, & Sattler, 2017). It gives an empirical evidence that generational succession is indeed one trigger event for the occurrence of born-again global internationalisation pathway (Graves & Thomas, 2008; Kontinen & Ojala, 2010). This study

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explains one of the rationales behind it is because the human capital second generations obtained from abroad, especially international education background and international working experience, help them improve their language skills, enrich their international experience (Ma et al., 2019). Consequently, they have a more international horizon and form an export orientation, which brings their family firms rapidly from the domestic market and enter the global market after their return.

This study has the following limitations. Firstly, this study only takes samples in two cities in China, which may restrict the generalisation geographically. A future study can conduct a similar study in more emerging economies, such as Thailand and Japan. Secondly, this research only applied a qualitative methodology including a limited sample of 10 interviews, which may not benefit the generalisation. A future study can design a quantitative methodology to collect abundant samples to enrich the returnee entrepreneur study and test if it has a similar outcome with this study. This study has focused upon human capital but a future study can conduct a similar study about the influence of other capital of returnee entrepreneurs, such as the influence of social capital on their firm performance.

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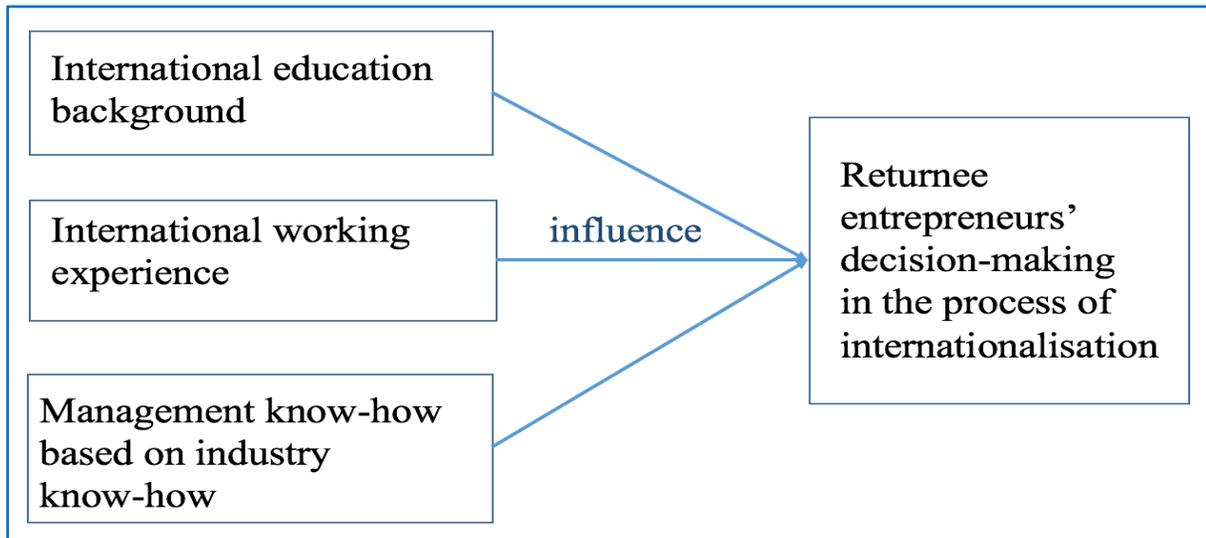


Figure 1- Theoretical framework map

The role of returnee entrepreneurs

Table 1- Participant sampling information

Participants	Snow-balling sampling channels	Interview date
Participant A	Personal guanxi-network	08/08/2018
Participant B	Introduced by an industry insider known from trade meeting in the UK	10/08/2018
Participant C	'Wenzhou Commercial Overseas Student Association' Wechat group	14/08/2018
Participant D	Introduced by Bachelor degree alumni	14/08/2018
Participant E	Introduced by an industry insider known from a trade meeting in the UK	16/08/2018
Participant F	Personal guanxi-network	18/08/2018
Participant G	Introduced by prior overseas education agency	20/08/2018
Participant H	Introduced by prior overseas education agency	20/08/2018
Participant I	Activity held by Wenzhou Federation of Returned Overseas Chinese	24/08/2018
Participant J	'Wenzhou Commercial Overseas Student Association' Wechat group	24/08/2018

The role of returnee entrepreneurs

Table 2-Industry-major relatedness chart

Industries	Full-match	Semi-match	No match
Manufacturing	30%	10%	10%
Service	10%	0%	10%
Retailing	0%	30%	0%
Total	40%	40%	20%

The role of returnee entrepreneurs

Table 3- Relatedness between education background and differences of internationalisation.

Differences of internationalisation	Major	Studied country	Degree
Pathway	√	√	√
Export percentage	X	X	X
Speed	√	√	√
Entry mode	√	√	√

The role of returnee entrepreneurs

Table 4- job content of the participant

Participants	Company	Time	Job Content	Status	Characteristic of the job	country
Participant A	pork chop restaurant	three years	ordering food	part-time	repeated	Japan
	food manufacturing company	two years	office work	official worker	repeated, tiring	Japan
Participant C	KFC	half an year	Ordering food	part-time	repeated	UK
	University	two terms	cleaning of classroom	part-time	repeated	UK
Participant E	Electronic equipment and communication company	four months	check the electronic equipment, recording, & writing report	internship	repeated	UK
Participant F	Working as a dealer for a cosmetic company	one year	sell the cosmetic products	part-time	creative	UK
Participant H	University	three weeks	collecting material as teaching assistant	part-time	repeated	UK
Participant I	investment bank	two years	financial job	official worker	limited impact, job repeated	Hong Kong
Participant J	food manufacturing company	resign in the first year	marinate, dyes and rinse food	internship	boring, labour-intensive	Japan

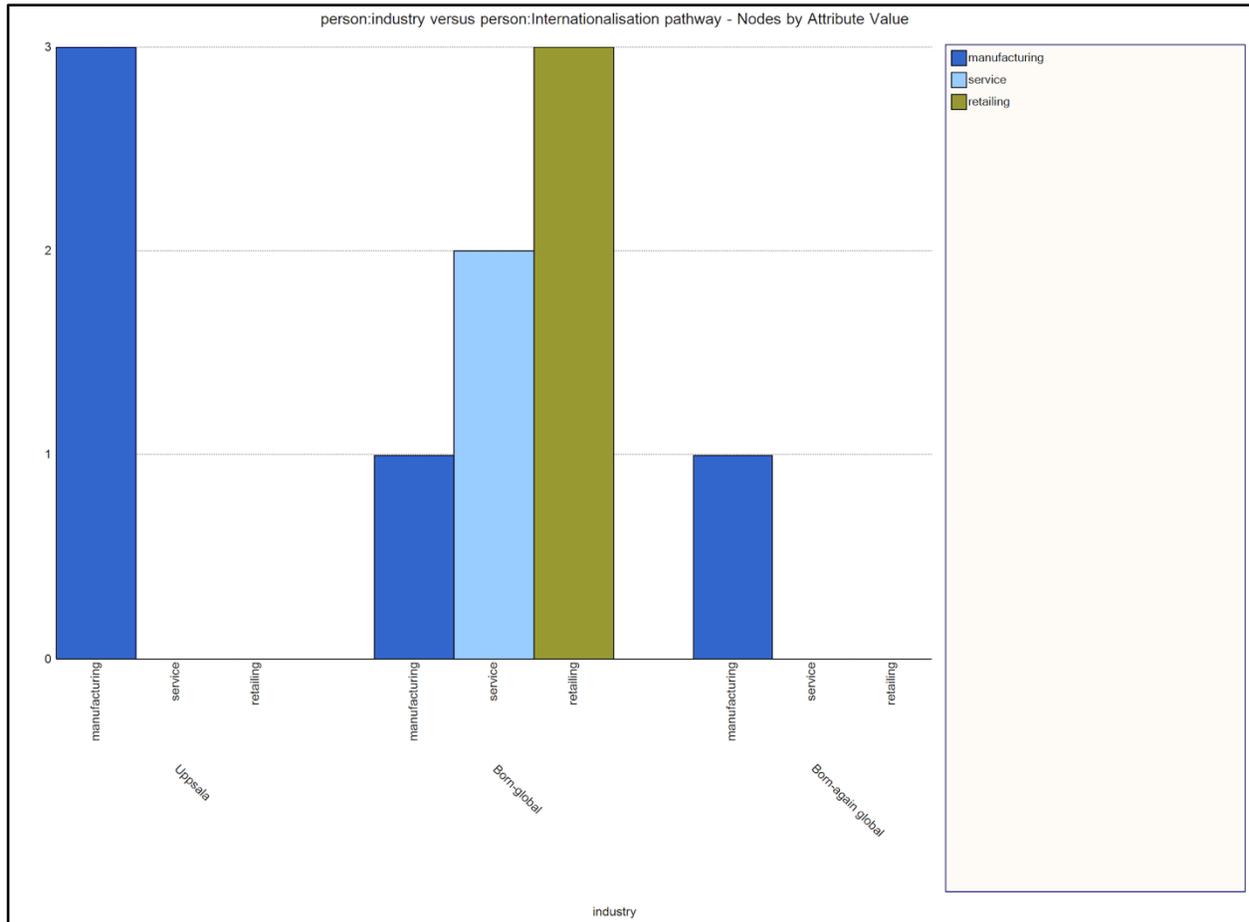
The role of returnee entrepreneurs

Table 5- Findings of the results

	International education background	Management know-how based on industry know-how	International working experience
Importance	67%	62%	53%
ranking	1	2	3
relatedness	positively-related	positively-related	positively-related
result	most important	moderate important	less important

The role of returnee entrepreneurs

Table 6- Industry sectors distribution chart of internationalisation pathways



The role of returnee entrepreneurs

Table 7- International experience of returnee entrepreneurs

Participants	quotation	country	course	overseas experience	post-return experience	unique exposure	tacit knowledge gained
Participant A	<p>1. If I have not gone to Japan, neither of my speaking skill nor my understanding of the Japanese culture would be so good as I am now. Without them, I cannot get along so well with native Japanese people, and it may restrict many of my ideas.</p> <p>2. If you do not work in Japan, you cannot know the society and the true Japan. Having a part-time job in Japan meets the broad country circumstance in Japan.</p>	Japan	two-year taught Master in Japanese Literature	three-year part-time job as a waitress in a pork chop restaurant; two-year official worker in a food manufacturing firm	/	working with native people	language skills; understanding to the culture of the target market
Participant E	<p>1. We have a lot of group discussions, personal performance of design and communication in groups in western education.</p> <p>2. When I have an internship in the foreign firm, we discuss a lot about how can we create new things.</p>	UK, Ireland	three-year Bachelor and one-year taught Master in Communication and Signal-processing	Four-month internship in a electronic equipment and communication firm	/	group discussions in the study and work	communication and expression ability
Participant F	<p>1. After I studied abroad, I have a global perspective. Other people would think that your vision is wide, and your business sense is more sensitive.</p> <p>2. The firm I worked with is an international firm, and it helps me to know the operation mode of a global cosmetic firm.</p>	UK	two-year exchange Bachelor program in Economics	one-year part-time job working as a dealer for a cosmetic firm	/	working in a global firm	global perspective

The role of returnee entrepreneurs

Participant H	<p>1. There are many seminars and lectures in the university. In the work, we also have some seminar discussions.</p> <p>2. As I know from those friends who have studied from the Bachelor degree to Master degree, they would look at the question more openly. For instance, they would look at the question from a more western way, more openly and more logically.</p>	UK	one-year taught Master in Urbanisation and Development	Three-week part time job in the university as a teaching assistant	/	seminar discussions in the study and work	communication ability; open-minded
Participant J	I think those students graduated from a foreign university would think the problems from diverse perspectives.	Japan	two-year Japanese language school, four-year and a half Bachelor degree in International Society	half-year internship in a Japanese food manufacturing firm	membership in Wenzhou Commercial Oversea Student Association and Wenzhou Federation of Returned Overseas Chinese	receiving education from a foreign university	critical thinking